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FINANCIAL TIMES

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Spreading plague threatens to hit Indian economy

The Indian plague killed two people in Delhi as authorities struggled to contain the economic threat posed by a growing number of overseas travel curbs. The first reported deaths outside Surat, where pneumonic plague broke out, pushed the official death toll over 50. The number of suspected plague cases rose to 2,500. Efforts to control the outbreak have failed to reassure overseas governments and visitors. Many Asian and Middle Eastern governments banned all flights to and from India. Page 22: Counting the cost, Page 3

Bank provisions for debts backed: Leading international banking supervisor Brian Quinn supported banks' plans to even out the swings in their reported profits caused by sharp rises in provisions against bad debts in recessions. Page 22

OECD appoints temporary head: Swedish ambassador Staffan Söhlman was appointed interim head of the OECD yesterday. He will hold the post at the economic think tank until a new secretary-general is named or until November 30. Members are still undecided on a successor to Frenchman Jean-Claude Paye.

Signal workers accept pay deal: Signal workers voted to accept the pay deal worked out between the RMT and Railtrack by a majority of more than six to one.

Fiat merger: Italian automotive and industrial holding company Fiat is to merge component subsidiaries Magneti Marelli and Gilarini. Page 22

French ex-premier in Aids scandal probe



Ex-prime minister Laurent Fabius faced the media as he left court after being put under formal investigation for being "an accomplice to the poisoning" of more than 1,000 haemophiliacs. Page 2

NPC chairman to retire: Transport group NFC has announced that chairman James Watson is to retire, 10 weeks after the surprise departure of its chief executive. Page 8: Lex, Page 22

Manufacturing growth may slow: Hints that the acceleration in British manufacturing growth may slow slightly towards the end of 1994 of the year emerged in a business survey. Page 5

Indian optimism on growth: Finance minister Manmohan Singh said the Indian economy has overcome the crisis of 1991. Page 3

Palestinian killed: Israeli soldiers shot and killed a Palestinian after he stabbed a soldier in the occupied West Bank town of Hebron, Israeli security sources said.

Man United profits double: FA Cup holders Manchester United revealed that they have more than doubled to £10.75m with extra income from merchandising, sponsorship and catering. Page 9

Livestock shipping ban costs farmers: British farmers could lose up to £200m in trade a year when ferries ban the export of live animals to the Continent. Page 4

Gestetner shares fall: Shares in office equipment company Gestetner fell after the company announced a £6.1m loss on interest rate swaps. Page 8

Fininvest's predicts debt cut: The media, stores and financial services group Fininvest, owned by Italian premier Mr Silvio Berlusconi, expects to cut its debt burden by a third. Page 9

Metallgesellschaft winds up sales: A fire sale by Metallgesellschaft ended with the disposal of its Frankfurt headquarters. Page 9

Swiss Re sells non-core businesses: Swiss Reinsurance is selling all its interests in primary insurance companies. Page 9

NTL intensifies competition: Competition in the UK's long-distance telecommunications market intensified with the launch of a network by NTL. Page 3

Sportswear shares fall: Shares in the sports shoe and leisure wear group Hi-Tec Sports tumbled by 32p to 50p. Page 8

Archbishop to retire: The Archbishop of York Dr John Hinsley is to step down in August

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Estonia's bow doors may have been torn off in storm, Swedish authorities say

UN watchdog to probe ferries

By Kevin Brown in London and Hugh Carnegy and Christopher Brown-Humes in Stockholm

The International Maritime Organisation, the United Nations agency for shipping, yesterday ordered a top-level inquiry into the safety of vehicle ferries following the loss of more than 900 lives in the Estonia disaster.

The inquiry was announced as Sweden's National Maritime Board said the Estonia may have sunk because its outer bow door was ripped off in a storm, allowing water to pour on to the ship's cavernous vehicle deck.

It also emerged that the Eur-

opea, one of the ships that picked up survivors of the Estonia tragedy, suffered serious damage to its bow door in the heavy seas that lashed the rescue fleet.

As concern about the operation of roll-on/roll-off ships continued to mount, Mr William O'Neill, the IMO secretary-general, ordered a full safety review by the organisation's maritime safety committee.

IMO officials said the committee would consider every aspect of roll-on/roll-off shipping at its next meeting in December at the organisation's London headquarters.

No agenda has yet been drawn

up, but the committee is thought to consider whether bulkheads on the ships' open vehicle decks would help to increase stability in the event of a surge of water through the doors.

Most ship owners believe that bulkheads would reduce the probability of roll-on/roll-off ships.

However, an IMO official said the review's "prime consideration" would be safety. "The travelling public are entitled to know that economic considerations come second," he said.

The committee has the power to amend the 1981 international convention on the safety of life at sea, which provides the frame-

work for national shipping legislation in 122 countries covering 97 per cent of world tonnage.

However, the committee is expected to produce a full report on the implications of the Estonia disaster before deciding whether to call a special meeting to consider changes to the convention.

Mr Bengt-Erik Stenmark, Sweden's head of maritime safety,

said the joint Estonian-Finnish-Swedish team investigating the disaster had been told by witnesses that the visor-style outer bow door was missing when the ship sank. "The outer door was lost," he said. Mr Stenmark said

witnesses saw 30-35cm of water on the car deck, enough to destabilise the vessel.

Inspectors carrying out urgent checks of all roll-on/roll-off ferries calling at Swedish ports said the port bow door on the Europa, a 3,000-passenger ferry operated by the Silja Line, suffered damaged hinges during the storm and could not be opened.

The Europa, the biggest ferry of its kind sailing in the Baltic, was allowed to sail for Finland

Continued on Page 22
Channel tunnel's car shuttle
launched, Page 5
What future for ferry?, Page 6

New Haiti violence threatens US efforts

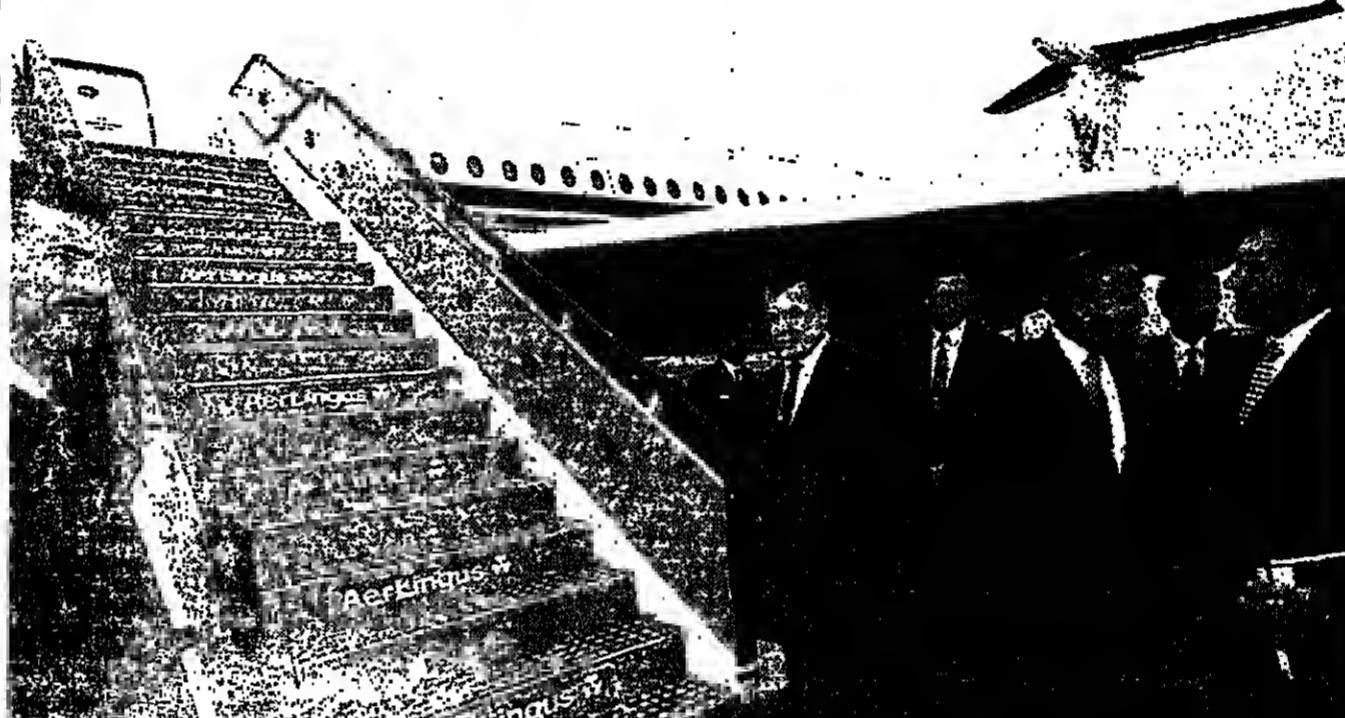
By James Harding
In Port-au-Prince

Fresh violence broke out in the Haitian capital Port-au-Prince yesterday as a demonstration celebrating the expected return of Jean-Bertrand Aristide. The incidents throw into doubt the capacity of the US military, numbering 19,000 troops, to guarantee civilians' security for free political expression. They have also increased pressure on the US to pursue more forceful disarmament of Haitian paramilitaries.

The demonstration followed mass at Port-au-Prince cathedral, where Father George Amos called for reconciliation between the military loyalists and supporters of Mr Aristide. The mass was attended by Mr Robert Merval, Mr Aristide's nominated prime minister, who emerged from virtual hiding to sit in the front pew. Across the aisle sat Mr William Swan, US ambassador.

The crowd followed the official route for the demonstration agreed by Mr Aristide's liaison office and the US military commanders in Haiti, past the offices of Frap, the Front for the Advancement and Progress of Haiti, a nationalist militia faction loyal to the military government of Lieutenant-General Raoul Cedras. Frap paramilitaries were understood to have thrown stones at and opened fire on the demonstrators, who took cover.

The breakdown in law and order was echoed elsewhere in the city when another looting spree broke out at the dockside warehouses. Many observers have concluded that low-ranking officers of the police and army have unofficially relinquished their responsibilities.



Right and left unite to produce video on end of Thatcher era

By Lucy Kellaway

There may be little love lost between the hard right and the hard left inside parliament, but outside they are joining together in the mutual pursuit of profit.

Lord Tebbit, former chairman of the Conservative party, who was once described by Mr Michael Foot, former Labour leader, as a "semi house-trained polecat", has teamed up with an employee of Lady Thatcher, the veteran leftwinger, to make a video about Lady Thatcher.

Called *No! No! No!*, the video went on sale earlier this week. It chronicles Lady Thatcher's final year in the Commons and is directed by Ms Ruth Winstone, long-time editor of Mr Benn's diary. It is intended to "make 'em laugh and make 'em cry", with famous clips including Sir Geoffrey Howe's resignation speech and Lady Thatcher's own defiant performance after the vote of no confidence.

No! No! No! is the first video from the Commons lifted its ban earlier this year on using its television footage for commercial purposes. A video of Mr Benn's top 10 moments since the cameras were allowed in to parliament in 1989 was released last year as an experiment.

After making "the best of Benn", Wedgwood's office thought this is a great idea". They realised that even hotter property than Tony is Mrs T," Lord Tebbit said.

He said the video had been made on an "almost zero-budget", and noted that they would not need to sell many copies, which retail at £9.99, to make a profit.

If *No! No! No!* - likened by Lord Tebbit to the CD of Nat King Cole's 20 greatest hits - does well in the charts it will be followed by other parliamentary releases. However, Lord Tebbit doubted whether any other MPs, Lady Thatcher and Mr Benn aside, were colourful enough to merit a "best of" video, and said that future videos might concentrate on debates rather than personalities.

Mr Charles Frater, director of

Yeltsin misses talks

The steps leading to the Russian presidential aircraft were in place. Dignitaries including the Irish prime minister Albert Reynolds (second from right) were gathered to greet the guest - but President Boris Yeltsin failed to appear for official talks in Dublin.

After a 15-minute delay Mr Reynolds and his entourage

returned to the airport terminal accompanied by Oleg Koskovitz, first Russian deputy prime minister, who stood in for Mr Yeltsin during talks which included the Ulster peace process.

He said later Mr Yeltsin was "extremely tired" after his 17-hour flight to Ireland and unfortunately he was said to be "indisposed".

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NEWS: INTERNATIONAL

Nato entry stalled for Visegrad countries

By Bruce Clark in Seville

The US, faced with strong Russian objections, has backed off from the idea of putting four countries – Poland, Hungary, the Czech Republic and Slovakia – on a fast track to full membership of Nato.

The new US position emerged yesterday at an informal meeting of Nato defence ministers, where Germany's Mr Volker Rühe received a cool response to his proposal that the four central European states, the Visegrad group, should be viewed as prime candidates for entry.

Mr Perry, the US defence secretary, said it would be "entirely premature" to set a timetable for the expansion of Nato. Asked to sum up the discussion on new countries joining the alliance, Mr Perry said: "We certainly haven't specified who or when, and we are not likely to be in the near future."

Mr Rühe has argued that Russia can never join the alliance, and he wants the 16 existing members to agree as soon as possible on lists of nations which definitely can, and definitely cannot, become full members.

However the US administration, which received President Boris Yeltsin in Washington last week, has shied away from making rigid distinctions among its former Warsaw Pact adversaries, and this reluctance appears to have deepened in recent days.

After a two-day meeting in Seville that was overshadowed by the conflict in the former Yugoslavia, Mr Perry disclosed that he was confident of more Russian help in isolating the Bosnian Serbs, and in ensuring that the border between Serbia and Bosnia was fully sealed.

He said that according to the "incomplete" reports available to Washington, Serbia had complied only partially with its obligation to sever military and commercial links with its ethnic kinsmen in Bosnia. "We look to Russia as the government with the best communications with the Serbs, to assist in the enforcement of this," Mr Perry said.

While Mr Perry made no connection between the issues of Bosnia and Nato enlargement, his comments on both matters suggested a greater US emphasis, in the wake of last week's summit, on the idea of co-operation with Russia.

Mr Perry predicted that in future any Nato air strikes in Bosnia would be carried out "with greater speed, with surprise and with more force than in the past".

He acknowledged that Nato could not dictate to the UN grand commanders in Bosnia when to invoke the air power of the alliance. But under new procedures, he said, Nato pilots would have more freedom of action over targets and timing once they had left the ground.

UK-US proposal to increase international liquidity with SDR issue

Boost for IMF members sought

By Peter Norman, Economics Editor, in Madrid

Mr Kenneth Clarke, the UK chancellor, and Mr Lloyd Bentsen, US treasury secretary, will this weekend press the decision making body of the International Monetary Fund to agree to a UK-US plan that would allow the Fund to boost the monetary reserves of its member countries.

The IMF's policy making Interim Committee will tomorrow consider British-American proposals to issue between 12m and 16m of the Fund's own reserve asset, the special drawing right, and so boost international liquidity by between \$17.6bn (£11bn) and \$22.5bn.

Although the plan would supply reserves to all IMF members, it has been structured to confer special benefits on Russia and other former communist countries which have joined the IMF since the last issue of SDRs in 1981, as well as poor developing nations. In this way, London and Washington hope to overcome German opposition to the idea of a general increase in SDRs and so solve a problem that has been dogging international financial diplomacy for several years.

The Interim Committee

meeting could see some tough bargaining, however, with Germany expected to argue that any SDR allocation should only benefit the recently joined IMF members. Yesterday, Mr Hans Tietmeyer, the Bundesbank president, said there were "good reasons for being in favour" of a special allocation for new members.

The UK-US proposals form part of a package of measures to increase the capacity of the IMF to provide financial support for countries in economic difficulty.

The Interim Committee will also consider an increase in the annual access limits of IMF members to fund resources to 90 per cent from 68 per cent of their IMF quotas, or membership subscriptions, for three years. Also on the agenda is a plan to increase the use that former communist countries can make of the Fund's temporary special "systemic transformation facility" that was set up to help Russia and other ex-communist states develop market-based economies.

The US-UK plan for the SDR allocation consists of an "equity" part to correct the injustice suffered by the 37 countries that have no SDRs and a so-called "pro-rata" allocation to the entire membership.



Bundesbank president Hans Tietmeyer opens a preliminary session ahead of the annual meetings in Madrid

The plan will require a change in the IMF articles, necessitating the backing of members with 85 per cent of

total quotas and parliamentary ratification in most countries. Ironically, these formidable burdens give the plan some

chance of success because Germany insists it will only support a SDR issue if it is clear that it is a special one-off event.

The Germans – backed by the US and Britain – have vigorously opposed proposals from Mr Michel Camdessus, the IMF managing director, for a general issue of SDRs to all Fund members. These countries argue that Mr Camdessus's proposals, which would need just 85 per cent support in the IMF board, are unjustified because there is no global need for new liquidity.

The pro-rata part of the UK-US plan is structured to allocate SDRs in two ways. Countries would either receive SDRs expressed as a percentage of quota (20, 24 or 29 per cent are under discussion) or a percentage increase (possibly 8 per cent) in their existing SDR reserves.

British officials claim that this would give the low-income developing countries and former communist states more SDRs than under Mr Camdessus's proposals.

They said that under the UK-US plan, Russia and other former Soviet republics could expect to get SDRs while low and middle-income developing countries would receive SDRs.

INTERNATIONAL NEWS DIGEST

US income up for seventh straight month

Personal income in the US rose 0.4 per cent in August, the seventh straight monthly increase, but failed to keep pace with a 0.5 per cent jump in spending, the government said yesterday. The spending increase was the largest since it rose by 1.3 per cent in February. The Commerce Department also reported that disposable income – income after taxes – rose 0.5 per cent in August. Financial markets were mixed on the news. Treasury bond prices fell slightly, and the Dow Jones industrial average slipped 6 points before recovering by late morning. The spending increase was greater than many analysts expected. During July, personal income increased 0.5 per cent, while spending rose 0.3 per cent. Income last fell in January, when it slipped 0.6 per cent. Consumer spending, which accounts for two-thirds of the nation's gross domestic product, was up for the fourth straight month and six of the last seven. The combination of incomes and spending meant that Americans' savings rate – savings as a percentage of disposable income – was 3.5 per cent in August, compared to a revised 4.2 per cent the previous month. The Commerce Department previously pegged the savings rate at 4.1 per cent for July. AP, Washington

Chechnya accuses Moscow

The break-away Caucasian republic of Chechnya accused Russia of open aggression against a sovereign state as unidentified helicopters attacked the airport in Grozny yesterday morning, inflicting several casualties. Chechen officials threatened to wage a terrorist war against Russian cities unless the provocation ceased, according to local newsgroups. Chechen opposition forces, which have been overtly backed by Moscow, were also reported to have issued an ultimatum that they would storm the capital unless Mr Dzhokhar Dudayev stood down as president yesterday. But in an interview with the Itar-Tass newsgroup, Mr Dudayev denied he had received any ultimatum and Grozny was reported to be calm yesterday afternoon.

John Thornhill, Moscow

Kiev doubts on IMF deal

Mr Vitaly Masol, Ukrainian prime minister, cast a shadow over Ukraine's commitment to radical reform only hours after the International Monetary Fund agreed to provide economic aid this year. The prime minister, a former communist who favours gradual reforms but was persuaded by President Leonid Kuchma to sign the IMF deal, said on Thursday night the IMF programme "contains issues parliament must resolve". Although the government is formally committed to reform, he said, "there are questions in the document still to be decided." The success of Ukrainian reform depends on Mr Kuchma's ability to overcome opposition from farming and industrial lobbies well represented in parliament and the cabinet of ministers, which Mr Masol heads. Matthew Kaminski, Kiev

Belarus reform supported

Belarus's President Alexander Lukashenko yesterday won parliamentary support for a radical economic reform programme, but deputies rejected his bid for additional powers to carry it out. Inflation in Belarus remains above hyperinflation levels – at 53 per cent last month. Parliament voted 193-5 in favour of the "anti-crisis" programme. Mr Lukashenko said: "It is necessary to pull the former Soviet republic out of economic collapse and secure loans from international financial institutions. Reuter, Minsk

North Korea in nuclear offer

North Korea has made new proposals in talks with the US to resolve the dispute over Pyongyang's nuclear programme, a North Korean foreign ministry official said yesterday. Mr Ho Jong said his delegation had "put on the table very constructive and interesting ideas to quicker the solution of the issues". He refused to elaborate. Mr Robert Gallucci, the US chief negotiator, flew back to Washington yesterday for consultations, but will be returning to meet his North Korean opposite number, Mr Kang Sok-ju, next Wednesday. In the meantime, technical discussions are continuing. Before leaving, Mr Gallucci said there had been no substantial progress in the previous week of talks but both sides wished to continue. Francis Williams, Geneva

RR ponders Korean ventures

Rolls-Royce, the UK aero-engine and industrial power group, yesterday signed an agreement with the Korea Aerospace Research Institute to study possible joint collaboration in aero-engine programmes. The move coincided with a fierce competition between Rolls-Royce and its US rivals, General Electric and Pratt & Whitney, to win a significant order to supply engines to power the new twin engine wide-body aircraft fleet of Korean Air Lines. The Korean flag carrier is expected to decide by early next year its choice of engines to equip the 30 Boeing 777 and Airbus A330 twin-engine airliners it has on firm order and option. Korea is also interested in developing with other Asian partners a new 100-seat regional jet. Paul Betts, Aerospace Correspondent

GM reaches deal with union

General Motors and the United Auto Workers union said they had reached tentative agreement over a dispute which had threatened to halt much of the company's North American production. The dispute, over the company's reluctance to hire more permanent workers at its output, has risen in recent months, had led to a walk-out at a parts plant in Flint, Michigan on Tuesday. This in turn forced a halt at a number of the company's production lines, affecting 22,500 workers. All UAW members will vote on it today. Richard Waterhouse

French unemployment up

Unemployment in France rose 15,300 to 3.3m in August, offsetting the improvement of the previous two months, according to statistics published by the labour ministry. Mr Michel Grand, the labour minister, describes the increase, which left the overall unemployment rate at 14.5 per cent, as a "litch along the way". He said that the retraining in areas of employment ahead of presidential elections next spring was an uneven process. The centre-right government of prime minister Edouard Balladur is counting on a 2.4 per cent reduction. Mr Edouard Balladur, the economy minister, said this week that between 260,000 and 300,000 jobs will be created in 1995. John Riddick, Paris

Peru takes on ship debt

Peru's government will have to assume a controversial and long-standing obligation with Central Bank and American Express Bank, according to a loan contract to renegotiate the debt. The debt has been the long-term debt. The debt, thought to stand at around \$72m with accumulated interest, dates back to 1981 when US banks had the then state-owned shipping line. Sally Bowen, Peru

Canada to study rail sell-off

The Canadian government has set up a parliamentary group to investigate the privatisation of CN North America, one of Canada's two major state-owned railway companies. CN, with assets of about C\$5.2bn, is the largest railway company in Canada. Canadian National and Canadian Pacific are the other two major state-owned railway companies.

SPD guns for Kohl with 100-day plan

By Quentin Peel in Bonn

Germany's opposition Social Democrats yesterday launched their final assault on Chancellor Helmut Kohl's ruling coalition, two weeks and two days before election day, with the publication of a 100-day action programme to revive the German Democratic Union.

The party brought out its three biggest guns to bombard the government yesterday with a plethora of proposals to boost demand, create new jobs, and redistribute the soaring tax costs of German unification – all intended to be under way within three months of taking office.

Mr Rudolf Scharping, the

Social Democratic Party (SPD) leader, flanked by Mr Oskar Lafontaine, his deputy and finance spokesman, and Mr Gerhard Schröder, his greatest rival and would-be economy minister, sought to galvanise a willing German electorate into the final straight, just as the latest opinion polls show signs that the SPD is starting to close the gap on Mr Kohl's Christian Democratic Union.

The 100-day programme would be launched by a round-table of trade unions, employers, and the German Bundesbank, to design a new job creation strategy as soon as the election is over, the SPD leader

said. Over four years, he believes 2m new jobs could be created with a DM20bn programme, and another 700,000 in new environmental schemes.

As for the party's tax plans, they would mean real reductions for 80 per cent of the taxpaying population, at the expense of the highest income earners, he said. And families will get a big increase in monthly cash payments for each child, to replace the present system of tax allowances.

"Everything we want to do in the first 100 days is intended to stabilise the economy," Mr Scharping declared.

The plans to boost car sales bear the inventive stamp of Mr Schröder, the prime minister of Lower Saxony and supervisory board member of Volkswagen, who was Mr Scharping's great rival for the party leadership.

Not only is it intended to give a lift to the ailing motor industry. The "scrap bonus" plan, first floated by Mr Ferdinand Piech, VW's chief executive, would appear to turn the old voters' adage on its head: far from worrying whether they should buy a used car from Messers Scharping, Schröder and Lafontaine, they are simply being asked to sell them.

French ex-premier under investigation over Aids

By David Buchen in Paris

Former prime minister Laurent Fabius was yesterday placed under formal investigation for being "an accomplice to the poisoning" of more than 1,000 haemophiliacs who received transfusions of AIDS-contaminated blood up to mid-1985, when he was head of the French government.

The long saga of France's Aids-blood case thus entered a new phase, as Mr Fabius joined two of his former social affairs and health ministers – Mrs Georgina Duflot and Mr Edmond Hervé – under investigation on the same charge of conspiracy to poison.

Mr Fabius has denied knowing anything about the contaminated blood until the summer of 1985, when he

ordered compulsory testing of blood donors for Aids.

"I go into this investigation with much compassion for those who fell ill, and their families, and strongly determined to establish the truth," he said yesterday.

The investigation by senior magistrates, expected to take up to a year, could eventually lead to the three socialist ex-ministers going on trial before a special court of MPs, senators and judges.

In 1989, the French state conceded general responsibility to the haemophiliacs, some 400 of whom have since died of their infection, by deciding to give FF100,000 (£12,000) compensation each to survivors. This did not, however, lessen pressure for more specific

action to be taken against those running the health service and its blood bank.

Two years ago, two health officials were jailed for fraud for distributing the tainted blood products. Out of this case came charges that the real culprits were government ministers, who failed to heed the officials' warnings, but who could not be tried under ordinary French law.

A move was made to impeach the ministers, but this procedure was held to be too self-serving because it gave the parliament, then controlled by the Socialists, the role of bringing charges as well as judging them.

Last year's constitutional reform gave the haemophiliacs' association the right to take their complaints against

ex-ministers directly to a panel of senior magistrates, who will now undertake the investigation.

Mr Duflot has summed up the ex-ministers' attitude in proclaiming that she is "responsible [in a political sense] but not guilty of any crime".

The investigation will centre on what the ex-ministers knew about the risk of Aids contamination, when they first received this information, and what they did to prevent the spread of infection.

One of the more serious allegations is that the government, or at least senior officials in it, deliberately delayed approval for the distribution in France of a US Aids test in order to protect the market for a similar French test then in development.

Cardoso looks to help of 'sovereign ruler'

Angus Foster on ACM, the Brazilian governor who can deliver millions of presidential votes

The letters ACM stretch across Brazil's north-eastern state of Bahia, visible on posters along each roadside and in every dusty village. They are the initials of Mr Antônio Carlos Magalhães, one of the country's most influential politicians, whom enemies call the "sovereign ruler" of Bahia.

ACM is also one of the reasons Mr Fernando Henrique Cardoso, the former finance minister, is likely to win Brazil's presidential election on Monday. An alliance with ACM has delivered Mr Cardoso several million votes, such as Bahia.

"I had the courage to support Fernando Henrique when he had only 10 per cent in the polls. I don't have the vanity to say it was our support which will win him the election, it was also the Real plan," says Mr Magalhães in an interview, referring to Brazil's new Real currency, which has sharply reduced inflation.

Mr Magalhães is an old-style, populist leader who has spent 40 of his 67 years in politics. He has been governor of Bahia three times and confidante to several Brazilian presidents of the left and right. His influence in Bahia is so great that local politicians are known either as supporters called "carlistas" – because of his middle name – or "anti-carlistas".

He has grown rich from politics but has maintained his popular touch, often wearing T-shirts with red, white and blue stripes – the colours of the flag of Bahia. And he knows the proper greetings and dances for Bahia's caudône religion, developed by immigrant African slaves, even though he is a Catholic.

"My power stems from my people because they know that I work for them," he says. "When I pass by, people want to hug me and kiss me. You won't see any other politician like that." Once again, Mr Magalhães is seeking public office. This time, he is standing for the senate and he has 60 per cent support in the polls.

Mr Magalhães' opponents, however, say he has been in power too long. They point out that he nominated more than half the state's judges during his terms as governor. In the

state's legislative assembly, 42 of the 63 members support him. In the federal legislature, 30 of Bahia's 39 representatives are members of the political party he controls, the Liberal Front (PL).

Following a controversial decision while he was minister of communications, he gained Bahia's five main broadcasting concessions for TV Clube, Brazil's most popular station. He and allies are also alleged to control 56 radio stations in the state. And opponents claim TV and radio are often used against them. Says Mr Jacques Wagner of the left-wing Workers' party: "If you oppose him, you are dead politically."

NEWS: INTERNATIONAL

Indian food exports hit by plague panic

By Stefan Wagstyl in New Delhi

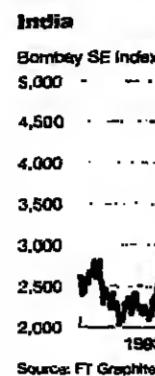
India's businessmen were yesterday counting the growing economic cost of the plague, with tourism and food exports the two sectors hardest hit.

The disease, which has killed about 50 people and left 2,000 others sick, has disrupted the travel trade and exports. Hotels and tour operators, gearing up for the start of the tourist season, have reported cancellations by groups from Europe, the Far East and North America. Some business visitors have canceled trips. At least three trade fairs have been postponed.

Trade with the Gulf states, worth \$3bn a year, has been badly hit by the decision by Gulf governments to close air and sea links with India. The biggest impact is on exporters of fresh food, who rely on the Gulf for 70 per cent of their overseas sales.

Food exporters are having to cancel purchases, put produce in store or try to sell domestically. "After three years of effort in promoting exports we are back at square one," said Mr Gian Nega, assistant director of the Agricultural and Processed Food Products Export Development Authority. Fresh food exports to the Gulf last year totalled \$17m.

Health officials, including Dr N K Shah, the resident representative of the World Health Organisation, accused the Gulf countries and other states



both India and the outside world," he said.

An official of KLM, the Dutch airline, in Delhi said much harm had already been done. "The whole image of India has already been affected." He estimated 25-30 per cent of tourists who had planned to travel to India by KLM this week and next had called off their trips. Other European airlines, including British Airways, Lufthansa and Swissair, also reported cancellations by tourist groups.

Yesterday's most serious development in the spread of the plague were the deaths of an 18-year-old man and a five-year-old boy in Delhi. They were the first deaths outside the western city of Surat and its neighbourhood, where pneumonic plague erupted last week. The tally of suspected cases rose by about 700 yesterday to 2,500, mainly in Surat and in remote eastern Maharashtra, where bubonic plague broke out a month ago.

India's exports in August were \$2.1bn, some 24.6 per cent higher than the same month last year. This followed four months of sluggish performance which gave rise to concern about future prospects.

Figures published yesterday by the commerce ministry showed exports in the five months to August were 10.6 per cent up, compared with 9.3 per cent for the four months to July. But the growth rate is still below the annual target of 15 per cent or more.

which have cut trade links of over-reacting. The Indian government launched a publicity campaign aimed at calming the fears of tourists, business travellers and importers of Indian goods. Mr T Khanna, the commerce secretary, expressed concern at the potential damage to Indian trade. "There's been a panic reaction from some of our trading partners. But I believe it will soon blow over."

Speaking in London, Mr Manmohan Singh, the finance minister, said the countries which had imposed restrictions on travel and imports risked hampering efforts to deal with the problem.

"We are trying to create an atmosphere where people have confidence that plague is no longer an incurable disease," he said. "Creating an atmosphere of panic which drives the whole thing underground would do a great disservice to

Tribals win long autonomy struggle

By Gordon Cramb in Patna

Jharkhand, a mineral-rich region of Bihar, India's second most populous state, is to be granted wide autonomy, marking a breakthrough in a 50-year struggle for self-determination.

An agreement this week between the central government and the state of Bihar, provides for establishment of an autonomous council in Jharkhand, the southern half of the state.

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An elderly man is taken past a dragon sculpture in Tiananmen Square during preparations for today's National Day celebrations. Beijing's rulers, although breathing fire internationally, are not as confident about the domestic situation.

China applauds the past as it looks to life without Deng

Beijing celebrates 45 years of communism, while the health of its most radical economic reformer is failing fast, says Tony Walker

China today celebrates the 45th anniversary of the Communist revolution in the shadow of the deteriorating health of Mr Deng Xiaoping, the senior leader, and burdened by worries over

its emphasis on bolstering party institutions in this uncertain transitional phase from one generation of leaders to the next, revealed deep-seated concerns about the future at a time when the communist party's prestige is at a low ebb. But for today at least, China's leaders will be at pains to deflect attention from the shortcomings of the ruling party and personal hardship, to the mass celebrations in Beijing.

Northern Bihari appear reconciled to the break, which some see as a prelude either to full statehood for Jharkhand or it turning into a union territory dealing direct with Delhi.

A Bihar government official said the tribal south had long enjoyed special status and state income would not be affected. But the move may encourage further development in Jharkhand, which apart from coal, bauxite and copper has a prime deposit of mica, a substance with applications in computer technology.

As for China, its economic statistics needed greater scrutiny. There was a possibility that they overstated growth while China could manage with a higher rate of inflation than India.

This year the Indian economy should grow at more than 5 per cent. The inflation rate should fall back to about 7 per cent from more than 8 per cent at present. Though export growth had slowed, the current account deficit would remain small, and the budget deficit should be held to 6 per cent of gross domestic product.

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NEWS: UK

IBA sets up telecoms network arm

By Andrew Adonis and Raymond Snoddy

Competition in the hotly contested long-distance telecommunications market intensified yesterday with the launch of a new network by NTL, the privatised transmission arm of the former Independent Broadcasting Authority.

NTL said it would undercut existing operators British Telecommunications and Mercury by about 20 per cent.

In effect NTL will provide wholesale trunk capacity for existing telecoms operators or large corporate customers. Its network, comprising microwave radio links between all the main population centres, is the second to be launched this week following the start of service by Energis, the telecoms arm of the National Grid.

Since NTL was privatised in 1991 in a £70m deal, Mr John Forrest, then chief executive and now deputy chairman, has made it clear he wanted to expand beyond providing broadcast transmission services and into more broadly based telecommunications.

NTL's national telecoms launch follows deals with Vodafone, the UK's largest cellular operator, and Birmingham Cable, a cable TV and telecoms operator, which are using NTL to carry parts of their long-distance traffic.

Cable companies, which are laying local television and telecoms networks but lack national telecoms links, are NTL's most likely customers. They are keen to force down long-distance carriage rates.

ITV to increase programmes budget to £550m

By Raymond Snoddy

The ITV companies have agreed an unprecedented network programme budget of £550m for next year - a rise that is double the rate of inflation.

The figure, hammered out in talks between all the ITV companies, compares with £375m for this year. The increase indicates that ITV is prepared to keep investing to retain its ratings lead over the BBC, particularly in popular drama.

The budget, excluding the cost of the news service provided by independent television News, might also include a further £2m as a contingency fund.

Mr Marcus Plantin, director of the ITV Network Centre, which commissions the national ITV schedule, said yesterday that £210m has been spent on UK-produced drama. He announced the ITV peak-time schedule for 12 months ahead - the first time a UK broadcaster has committed itself for a year.

Mr Plantin - speaking at an industry presentation to advertisers and agencies - stepped up ITV efforts to expose what he called the myth of the demise of terrestrial television.

"We have maintained our peak-time audience share for the past three years now and have been hardly affected by cable and satellite television

and have avoided signing long-term deals with BT or Mercury which would restrict their capacity to move business to lower-cost suppliers.

NTL has been developing into a broadly based communications technology and service group. Earlier this year it paid £8.6m for DTELS, an organisation which specialises in mobile communications for emergency services.

The group has also been gaining increasing recognition for its work on digital compression, which allows between eight and 10 channels of television to be squeezed into the capacity normally occupied by one.

The group, based at the former IBA research headquarters near Winchester, has a development deal with Mr Rupert Murdoch's News Corporation and Pace, the consumer electronics group.

NTL's digital compression technology is likely to be used as part of plans to launch satellite television systems next year in Asia and Europe.

NTL, which was bought by Mercury Asset Management, the fund-management arm of S.G. Warburg, is expected to float eventually on the London Stock Exchange, although no date has yet been set.

NTL claimed that its network - which can be used for voice, data and video links - is the first in the UK to use leading-edge digital transmission technology.

Mr John Okas, NTL's telecoms division director, said: "This is part of our strategic development into UK telecoms."

Livestock shipping ban 'may cost farmers £200m'

By Deborah Hargreaves

British farmers stand to lose up to £200m a year in trade from bans on the export of live animals to the Continent imposed by ferry companies.

The figure was given yesterday by the Association of Livestock Exporters on the eve of today's start of the ban by P&O.

There was more bad news for farmers yesterday as it became clear that a

new service for transporting live animals was unlikely to be able to start immediately. MDT Holdings, a London-based shipping company, plans to unveil a service from Harwich to get around the ban on live exports which has now been imposed by most large ferry companies.

However, the agriculture ministry said yesterday that the company's vessel had not yet been approved by its inspectors and was unlikely to

receive the go-ahead for a service to begin today. "The company hasn't submitted any formal papers for export yet," the ministry said.

P&O introduced its ban because it was unconvinced by tough measures introduced by Mr William Walgrave, agriculture minister, to improve the treatment of live animals on long journeys. "We are looking to Brussels for some action - there needs to be European-Union-wide

enforcement of the measures," it said. The ban in effect cuts off business for UK farmers, as the company carried 60 per cent of live exports. Stena Sealink and Brittany Ferries, with 10 per cent of the market each, have already introduced bans - although Brittany's ban covers only animals destined for immediate slaughter.

Livestock markets are already feeling the effects of the ban. The Meat and Livestock Commission, the industry's marketing body, reports prices

for Friesian bull calves down 30 per cent this week to £39 a head against the same week last year.

Prices have dropped sharply in recent months from £170 a per animal at the end of June. This can be explained partly by a seasonal increase in cattle coming to market, but much of the drop in the market is attributed to uncertainty among farmers over the ferry ban.

Call to retain US defence trade link

By Bernard Gray

The UK should look to the US as well as Europe when considering developing new weapons systems, Mr Roger Freeman, defence procurement minister, said yesterday on his return from a visit to Washington.

Mr Freeman said Britain should not move into an exclusively European defence industry but should co-operate with the US on programmes such as anti-ballistic missile systems. "Whilst we have collaborations with France and Germany we should not be party to any lockout of the Americans."

He pointed out the imbalance in defence equipment trade between the US and the UK. "Currently we buy about \$2bn of equipment from the US annually, but they only buy about \$1bn of equipment from us. We need to have a more level playing field."

In Washington Mr Freeman met Mr John Dentch, deputy US defence secretary, as well as congressional leaders. Mr Freeman told Mr Dentch that the UK was considering placing several very large equipment orders in the US, including replacement Hercules aircraft and attack helicopters for the Army. The orders are worth a total of more than £3bn.

He called on the US to be equally open in its procurement policies. He particularly mentioned the UK-Italian EH101 large helicopter as a possible alternative to Boeing's V-22 Osprey, which is under threat of cancellation.

Mr Freeman told congressional leaders that protectionist policies in defence increased the cost of equipment to the US taxpayer. But he acknowledged that in times of heavy cutbacks, the pressure to buy locally was very strong.

He highlighted a number of areas where the UK could co-operate with the US in weapons development. He said that British expertise in surveillance, tracking and radar, for example, could have application in ballistic missile defences.

Mr Freeman's emphasis on transatlantic links may disrupt some European business leaders who see the development of a pan-European industry as the only way to prevent US domination of the international defence market.

Mr Louis Gallois, chief executive of the French state-owned Aerospatiale, argued earlier this year that the European aerospace industry had to consolidate quickly to meet the US challenge.

Many British defence executives also believe that while there may be collaboration with the US on specific programmes, the bulk of the co-operation and mergers will be within Europe, rather than as Anglo-American deals.

Sea change in defence, Page 7

Abracadabra! It's the barter magicians

Motoko Rich talks to the people who can turn a photocopier into a delivery van



Swap-shop: Victoria Chuskey, a trade broker, at work in the Capital Barter Corporation offices

The seasons, fickle consumers and changing fashions can all leave clothing manufacturers and retailers with unsold stock, Motoko Rich writes.

Traditionally, excess stock is discounted heavily or sold to liquidators for as low as 15 per cent of wholesale value.

But yesterday, Apparel Marketing Services, the trading subsidiary of the British Knitting and Clothing Export Council, signed an agreement

with Atwood Richards, a US corporate barter company, to offer the council's 1,200 members an opportunity to dispose of assets for better value.

Atwood Richards, a private company, has been operating since 1988. It trades in 28 countries and opened its UK office in London last year.

"Where companies can no longer realise the cash or are facing a loss, we will buy their stock at close to wholesale

value and exchange it for essential, pre-budgeted goods and services," said Mr Trevor Edwards, managing director of Atwood Richards in London.

The company acts as a principal - as opposed to a broker - and buys products with trade credits, which are redeemable for specified goods and services.

These are obtained when Atwood sells a client's excess products, usually outside its cash market.

Assigned a credit limit depending on the size of the company and its desirability of its products.

Within the pool the most popular items are computers, photocopiers and airline tickets.

"We are a mix of an issuing bank, a clearing bank and a trading house or broker," said Mr David Carlisle, legal

adviser, including performance-related pay.

Many trusts have expressed concern that they may not have the packages in place by April, the date for review-body pay settlements, and the target set by the NHS executive for local pay packages.

Unions representing nurses, which have submitted an 8.3 per cent pay claim when the government is seeking a second annual total pay-bill freeze, said they were bemused by the conflicting signals from the health department.

In her speech Mrs Bottomley said local pay would only work if trusts worked with staff, explaining and communicating every inch of the way. "That job starts now," she said.

Only about 11 NHS trusts, which include community and ambulance services as well as hospitals, have introduced comprehensive local pay pack-

ages, including performance-related pay.

The National Audit Office, the public-spending watchdog, yesterday claimed to have prevented the Department of Employment and the Welsh Office from wasting millions of pounds in recent years.

In its annual report the office said it had achieved record savings of public money last year - in excess of £265m.

Amid concern about accountability and efficiency in Whitehall, Sir John Bourne, comptroller and auditor-general, stressed there would be no let-up in the number of scrutines carried out by his organisation.

The report says that in 1992-93, the Employment Ser-

vice, an executive agency, made £30m of overpayments in unemployment benefit. As a result of the watchdog's findings, the discrepancy had been reduced to £9.6m by 1992-93.

It also claims to have discovered a discrepancy in the 1992-93 Welsh Office accounts which showed it had erroneously paid £263,000 of community charge grant to four local authorities. The Welsh Office has since recovered this money.

Mr Michael Meacher, shadow public-service minister, said the report showed the government's "waste and incompetence".

National Audit Office Annual Report, 157-157 Buckingham Palace Road, London SW1.

Bottomley signals delay on NHS local pay deals

By Lisa Wood, Labour Staff

Mrs Virginia Bottomley, health secretary, yesterday admitted an across-the-board increase, but to speed moves towards local arrangements.

In its evidence to the pay review body the department said it wanted "a strong steer to the continued development and implementation of local arrangements by leaving employers with maximum scope for local action". It added: "Clearly, any across-the-board recommendations would inhibit such development."

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Watchdog claims record savings

By James Bötz

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Updating the 'polluter pays' policy

David Lascelles analyses a report suggesting a fresh approach to easing traffic pollution

be making more than 100 recommendations on how to deal with Britain's transport problems.

The overall thrust of its recommendations should reinforce the government's commitment to push up the price of petrol and curb the harmful gases spewed out by more than 20m road vehicles.

The report's starting point is the government's forecast that the number of vehicles on Britain's roads will double by the early part of the next century.

The quantified costs of transport pollution already amount to between £100m and £200m a year, including £60m for accidents.

Although the government will provide some comfort to the government, which expects the commission's report to provoke strong criticism of its *fairest faire* transport policy and reluctance to take firm measures to deal with traffic.

The 300-page report, to be published at the end of the month, is the result of nearly two years' work by the 16-member commission, which consists of scientists and other environmental experts. It will

vehicles, and others will put the case for expansion of public transport.

There will be a strong emphasis on tax measures, with a doubling of the petrol price over 10 years singled out as a desirable aim.

But the commission is also keen to raise the efficiency of the transport sector, and its recommendations will go into the area of traffic management, industrial planning and even some working to find ways of bringing down the number of journeys people and businesses have to make.

Environmental factors need to be much more seriously considered," says Sir John. "People are having to accept transport impinging on their lives in a way they don't like, through air pollution, noise and vibration, and land use."

To reach their recommenda-

tions, members of the commission travelled widely abroad - to the US, the Continent and Japan. But Sir John said that no country had found the perfect answer.

The US approach was heavy-handed, making excessive use of regulation. Japan had curbed pollution and had a good train system, but its road network was poor. One of the strongest impressions members brought back was of Delft in Holland where 40 per cent of journeys are made by bicycle, even in the rain.

Although the commission's report is being awaited with some anxiety by the transport industry, Sir John said he doubted that it would reduce the amount of traffic on the roads; at best it would only slow down its growth.

It would be unrealistic to expect any measures to reverse the rate of growth," he said. However he said the commission was looking for ways to have "a substantial impact" on the pace at which Britain's traffic was increasing.



By James Bötz

Labour leaders look to transcend wages row

By Philip Stephens,
Political Editor

The Labour leadership appeared hopeful last night that it could prevent a row over the minimum wage from overshadowing Mr Tony Blair's plans to use the party's Blackpool conference to set out the main planks of his electoral strategy.

The last-minute efforts to defuse a potentially damaging dispute came as Mr Kenneth Clarke, the chancellor, reaffirmed the government's long-term commitment to tax cuts.

In an attempt to regain some of the initiative after a week dominated by Labour's efforts to discard its image as a high-spending, high-tax party, Mr

Seulair party figures said the tax would add £13.90 to the annual average expenditure of British households.

Clarke said the Conservatives would "re-establish with the voters that we will deliver tax cuts when the economy can afford it".

Mr Clarke offered no specific commitment on the timing - however he insisted that the government's commitment to steady growth, low inflation and tight control of public spending made lower taxes a

question of "when" not "if". Mr Clarke's comments came in a letter to Conservative party constituency chairman. With a little more than a week to go until the Tory party conference it said: "Rushing into tax cuts in this coming budget with borrowing still high wouldn't have impressed anybody for very long."

Labour party officials said the TGWU general union was increasingly isolated in its insistence that Labour endorse a rigid formula to fix the level of a minimum wage during Monday's opening conference debate on the economy.

Mr Blair wants the party to campaign on the principle of raising the pay of low-paid workers rather than be drawn

into internal arguments about the country". However, she refused to give a commitment that Labour would abolish the tax if it came into government.

Ms Harman signalled yesterday that Labour would try to highlight the impact of the Conservative party's taxation policy by insisting that the net effect of the government's last two Budgets had been to add 7p in the pound to the basic rate of income tax.

She believed that the government might try to soften the impact of its indirect taxes - including value added tax on fuel and reductions in mortgage interest relief - by cutting direct taxation before the election. "If that happens, we will respond by looking at how much that 7p-in-the-pound bill has been reduced," she said.

In a statement of his priorities later today, the Labour leader will set the central themes as industrial and economic renewal, reform of the welfare state to get people back into employment, and a firm commitment to social responsibility.

The statement, New Labour for New Britain, will represent the party as the voice of the majority in contrast to the portrayed sectional interests represented by the Conservatives.

Mr Blair will tell the conference that the party must be clearer in drawing the dividing lines between the two parties and must shake off the perception that it has been motivated by electoral expediency rather than firm principles.

Capital tax break urged for industry

A Tory-led industry pressure group yesterday urged Mr Kenneth Clarke, the chancellor, to introduce 100 per cent capital allowances in the Budget next month as part of a clear strategy for economic growth.

David Owen writes:

The Manufacturing and Construction Industries Alliance - chaired by Mr Nicholas Winter, Conservative MP for Macclesfield - said the move was vital to the future prosperity of the UK. The alliance also urged Mr Clarke to avoid any further tax increases.

Mr Winter said the government should "give a boost to the economy specifically through lower interest rates, the introduction of 100 per cent capital allowances in the first year to encourage industry to invest in the new facilities vital to our continued competitiveness, and further, carefully targeted investment in the transport infrastructure and the public-sector building stock".

Ofgas sets £15 delivery charge

A standing charge of £15 a year for mains gas delivery in domestic customers was set yesterday by Ofgas, the industry regulator.

Ms Clare Spottiswoode, Ofgas director-general, said she had set the charge "in anticipation that the gas market will move to full competition in the near future".

As a monopoly, British Gas has not been required to break down its £37-a-year domestic standing charge between the costs of transportation and of its trading division. But the planned liberalisation of the market beginning in 1996 will lead to the separation of the two functions.

• British Gas yesterday announced the closure by the end of next year of its research station at Killingworth, North Tyneside. Many of the 400 employees will be offered jobs at its new consolidated research centre at Loughborough, Leicestershire.

Signal workers vote to accept deal

Railway signal workers last night voted by a majority of more than 6-1 to end their 16-week dispute and to accept the pay deal hammered out on Wednesday between Railtrack and the RMT union.

A total of 2,461 workers voted to accept the deal and 406 voted against. The telephone poll attracted responses from 71 per cent of signal workers.

Prescott appoints Euro-adviser

Mr John Prescott, deputy Labour party leader, yesterday appointed Mr Brian Simpson, MEP for Cheshire East, to the new post of parliamentary private secretary in the European parliament. Mr Simpson will help Mr Prescott develop relations between the party organisation in the UK and Brussels.

Mr Alan Meale, Labour MP for Mansfield, is to be Mr Prescott's parliamentary private secretary in the Commons and Ms Rosie Winter has been appointed his political adviser and will take charge of his private office.

200 Scottish jobs

Electron, the US electronics company, is to invest £10m in expanding its printed circuit board assembly plant at Dumbarton, Fife. The expansion will create 200 jobs bringing the workforce to 1,000.

Accountancy chief attacks plans for umbrella body

The president of the Institute of Chartered Accountants in England and Wales yesterday attacked a plan by the certified accountants' body for the "dead on arrival".

Mr Roger Lawson described the idea of a General Accountants' Council for the UK and Ireland as a "joke", put forward by the Chartered Accountants' Association.

The dispute puts in serious doubt the ability of the profession's six leading professional bodies to move forward with the so-called Bishop proposals for reform.

That scheme, which is being presented to the memberships

Generators support nuclear power sell-off

By Michael Smith

The privatisation of the nuclear power industry yesterday received qualified support from rival electricity generators as the consultation period for the government's nuclear review closed.

The Association of Independent Electricity Producers, which includes former state-owned generators National Power and PowerGen, urged the government to "make every effort" to privatisate the nuclear power industry. However it said nuclear power should be given "no special advantage over other privately owned generating businesses".

National Power and PowerGen have not published their submissions but it is understood they are sympathetic to privatisation. However they are thought to have said that privatisation of Nuclear Electric and Scottish Nuclear would only be acceptable if "subsidies", including the fossil fuel levy, were phased out. The £1bn a year it is scheduled to last until 1998.

The producers' association

said the government "must make quite clear that investment in any new nuclear power stations should be on a full commercial basis with investors judging the need for capacity".

It pointed out that Nuclear Electric's own submission "makes it quite clear that electricity from new nuclear stations would not be competitive in today's market. Intervention in the electricity generation market to protect the interests of one technology may damage the interest of those who have to compete with that technology". That could damage the interests of the electricity consumers.

The association also questions the electricity industry's grid code which treats nuclear plants as inflexible. The code "means that when it is necessary for stations to be turned off for grid management purposes, nuclear stations are turned off last". Although the submission says this may have been appropriate before electricity privatisation, its justification in the new market place should be re-examined.

Channel tunnel's car shuttle launched

By Charles Batchelor,
Transport Correspondent

Eurotunnel yesterday launched the flagship shuttle service with which it hopes to win half of the cross-Channel car passenger market by the end of 1996.

Car shuttles carrying staff, journalists and the winners of a Eurotunnel travel competition made the 35-minute journey in the twin-deck, air-conditioned shuttle trains.

On Monday, nearly 18 months later than originally planned, Eurotunnel will start its Overdrive service with a trip for invited shareholders, bankers, MPs and MEPs. It hopes to carry 60,000 passengers and 20,000 cars in the six weeks of the introductory service.

The company has already received applications from more than 10,000 of its UK shareholders alone and requests are arriving in their thousands every day, Mr Christopher Garnett, commercial director, said. Shareholders, who will be expected to pay £30 to cover administration costs, will be selected by ballot. The final price of tickets will

not be announced until mid-November when Eurotunnel plans a full service for car passengers.

Eurotunnel announced car shuttle fares in January when it expected to start services in May. They ranged from £125 for a two-day return fare to

£310 for journeys on peak mid-summer weekends. It withdrew these fares, regarded as being quite high, when the launch was delayed.

Car passengers are expected to remain with their vehicles during the crossing although they can move around on the narrow aisles beside their cars.

Each of the almost half-mile-long shuttle trains can carry up to 180 cars or 120 cars and 12 coaches. Eurotunnel is beginning with one car shuttle per hour but this will rise to four an hour when it is operating at full capacity.

• The blocked drainage pipes

which led to the build up

of water and disrupted signalling

in the tunnel may have to be

replaced if they cannot be

cleared. Eurotunnel said, "This

is possibly a design fault," Mr

John Noulton, public affairs

director said.

'Man from the Pru' under threat

By Alison Smith

The insurance agent who collects regular cash payments from customers' homes - the "man from the Pru" - could become an endangered species under government proposals.

Ideas for streamlining or abolishing the separate arrangements for industrial branch business - as this specific type of life insurance is known - will be discussed in a consultation paper due to be published around the turn of the year.

Under legislation from the 1990s, an agent for this type of business must call at customers' homes to collect cash or

cheques more often than every two months and must initial a premium receipt book the amounts paid.

The policies that agents can sell are very limited and do not, for example, include pensions. Nor, even though the emphasis is on simple policies, are agents allowed to sell term assurance - policies which are directed at protection without any investment element.

The costs of this labour-intensive system of collection are relatively high, reducing the returns which would otherwise be available to customers.

Life companies specialising in this area acknowledge the expense involved, but say that

business, the organisation has been withdrawing from this area: in 1992 it raised its minimum premium from £12 to £20 a month. It does, however, still have a "home service" sales force of agents who visit customers in their houses.

The Association of British Insurers argues for greater flexibility, so that an industrial branch customer could choose to switch from paying in cash without having to surrender the existing policy and start a new, ordinary one.

But it believes legislation is still the way to force insurance agents to make their regular home visits even when the weather is bad.

White House firm on Adams stance

By George Graham
In Washington

Mr Bill Clinton, the US president, has no plans to meet Mr Gerry Adams, US officials repeated yesterday in the face of the Sinn Féin president's continued campaign for a White House meeting.

"He will meet with officials from the State Department and White House at the working level, but not here," said Ms Dee Myers, Mr Clinton's press secretary.

White House officials said final decisions on who would meet Mr Adams when he visits Washington on Monday and Tuesday were likely to be taken yesterday.

On his tour of the US, Mr Adams has been campaigning to have his reception upgraded. This week, Mr Rudolph Giuliani, mayor of New York, welcomed him as a "harbinger of peace". He added: "I think President Clinton should greet him."

But the Clinton administration is sticking to its promise to the British government that Mr Adams would not be received at the White House.

Battle lines are drawn on post

By Andrew Adonis

The consultation period for the government's green paper on the future of the Post Office closed last night with the battle lines on the issue of privatisation predictably drawn.

The unions and opposition parties are resolutely opposed to privatisation in any form, repeating the stance they have taken with virtually every privatisation over the last decade, most of which they no longer propose to reverse.

Equally predictably, the Confederation of British Industry and the senior management of the Post Office are strongly in favour of a sell-off, claiming that the commercial freedoms generated by privatisation is critical to the future success of the postal service as it faces stiff international competition.

The CBI, in its response published yesterday, said privatisation would "bring further price and quality improvements benefiting customers".

Union and Labour leaders have highlighted the dramatic pay rises for senior managers which have followed earlier privatisations. They also claim the sell-off might endanger the letters service, and the 20,000 rural post offices, are not threatened.

The government's favoured option would involve the sale of 51 per cent of the Royal Mail, the largest business within the Post Office, which handles the letters delivery, and Parcelforce. The counters division, which is responsible for high street and village post offices, would be hived off into a separate operation continuing in the public sector.

About 10 per cent of the privatised company would be sold to Post Office employees and to the staff managing sub post offices, would be run on contract for the Post Office.

However the National Federation of Sub-Postmasters drew back yesterday from endorsement of the privatisation plan.

Although employing changes giving the Post Office greater commercial freedom, the federation said that "many areas" required clarification.

The cabinet has yet to take a final decision on postal privatisation. Although it is strongly favoured by Mr Michael Heseltine, trade and industry secretary, the government's small parliamentary majority is critical to the future success of the postal service as it faces stiff international competition.

The cabinet has yet to take a final decision on postal privatisation. Although it is strongly favoured by Mr Michael Heseltine, trade and industry secretary, the government's small parliamentary majority is critical to the future success of the postal service as it faces stiff international competition.

Corporate profitability remains well below the 10 per cent recorded in 1988, and the all-time peak of 12 per cent in 1984. But the rates of return earned in 1991 and 1992 were above those recorded in the two previous recessions in 1975 and 1981.

The figures show companies' net rate of return, measured by the ratio of operating surpluses, or profits, to the capital stock employed. For industrial and commercial companies, the rate of return was 8.4 per cent in 1993, up from 7 per cent in both 1991 and 1992.

These growth pressures were also reflected in the Purchasing Managers' Index, which showed that almost a third of companies faced increasing problems in meeting delivery times.

The proportion of purchasing managers intending to raise prices fell fractionally during the month.

Nevertheless, nearly half of the managers surveyed said they still envisaged price rises, with the chemicals, rubbers, plastics, paper and packaging industries reporting price increases.

The output index continued to rise, reaching a figure of 80.5 per cent, suggesting that production continued to expand in September. However, new orders fell to 90.5 per cent, down from 91.4 per cent the previous month.

1,000 advisers miss PIA deadline

By Alison Smith

Some 1,000 independent financial advisers appeared yesterday to have rejected regulation by the Personal Investment Authority, the new watchdog to protect the private investor.

Ideas for streamlining or abolishing the separate arrangements for industrial branch business - as this specific type of life insurance is known - will be discussed in a consultation paper due to be published around the turn of the year.

Under legislation from the 1990s, an agent for this type of business must call at customers' homes to collect cash or

cheques more often than every two months and must initial a premium receipt book the amounts paid.

The strict deadline for applications was imposed by the Securities and Investments Board, the chief City regulator, in June.

It said that by today all those in the retail financial services industry who had not applied to the PIA should have done one of three other things. They were: apply to be regulated directly by SIB or by a recognised professional body; say that

they were joining a network of advisers or setting up a tie with a life company; signal their intention to leave the investment business by the end of the year.

An independent adviser who failed to take any of the available courses would lose authorisation. This would make it a criminal offence to continue to invest in investment business, which would mean that customers would lose regulatory protection.

Any wanting to check the status of an adviser can

contact SIB central's register contact SIB central's register

071 929 3850.

FINANCIAL TIMES

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Nagging at the recovery

By rights, it ought to be a quite a party in Madrid this weekend. For the first time in several years, the finance ministers and central bankers of the Group of Seven largest industrial countries all have growing economies, with barely a hint of inflation to go with it. Even the latest World Economic Outlook from the International Monetary Fund allows itself to be unusually upbeat about the state of the world recovery.

Who could ask for more? The IMF would not be the IMF if it did not see reasons to worry, and could respond to its straitlaced prescriptions: certainly not enough to let it ruin a couple of days' sunshine and sangria.

The nagging of the financial markets, however, is more sobering. Every downward lurch in American and European bond markets – like the one which occurred this week – can mean another missed budget deficit target and, possibly, another difficult round of tax increases and spending cuts. The markets' worries may be less consistent than the IMF's, but the underlying message is the same. Seizing today's opportunity for an unprecedented period of global growth requires prices to remain stable, and public borrowing to fall.

The good news is that the opportunity is there for the taking. As the IMF's report states, "the recovery of world activity and trade became firmly established during the first half of 1994". Overall, the organisation is predicting 3 per cent growth in global output this year, a little more than it thought likely when it produced its May Outlook.

Signs of recovery in continental Europe and Japan, and the growing momentum behind the US and UK upswings, mean that the global growth figure hides less diversity than before. The developing countries continue to grow fastest: the IMF expects output of poorer countries to grow by over 5% per cent in 1994 and 1995. But the more sedate 2% per cent growth expected in both years from the G7 countries compares well with the 1.4 per cent achieved in 1993.

Liberalisation

As the report shows, the global reach of the upturn owes much to the widespread liberalisation of capital markets. As a group, the world's poorer countries were able to attract annual net capital inflows of \$94bn, on average, in the first three years of the 1990s. The average figure for the preceding seven years was a mere \$5bn.

This influx of investment capital continues to play a large part in ensuring these markets "emerge".

There are familiar laggards in the global growth picture. Africa, for one, has received little of the new investment flows, suffering slight net outflows of capital in both periods. But the IMF expects that even Africa will achieve 3.3 per cent growth this year, up from a meagre 1 per cent in 1993.

The world has not seen this combination of freely flowing capital and goods, and near-universal economic growth, since the early years of this century.

Market sentiment

Why then are the financial markets determined to spoil the party? As the IMF notes, long-term government bond yields have been on the rise world-wide, increasing by an average of 2 per cent in industrial countries since January. On Thursday, the yield on long-term US treasury bonds briefly touched nearly 7.50 per cent, the highest in over two years.

No every shift in market sentiment has a sound rationale. But the underlying pressure on both nominal and real interest rates worldwide can be traced to two doubts that did not cloud the picture in the early 20th century. Then, the global capital market could rely on two things: stable prices and a large pot of rich country savings.

Prices are again relatively stable in the main industrial countries. The IMF estimates consumer prices will rise only 2.4 per cent in the course of 1994. But the inflationary cycles of the 1970s and 1980s are too recent to be forgotten. And low inflation came after a long recession that has left unemployment at stubbornly high rates in Europe and elsewhere.

Thursday's US bond market fall, which was triggered by unexpectedly strong economic data, follows a pattern which is likely to become familiar elsewhere as the recovery takes hold. Investors worry that national monetary authorities will not act quickly enough to stem inflation, because of political pressures to deliver higher growth.

Yet not all of the rise in bond yields can be put down to inflation jitters. The rise in index-linked government bonds in the UK and Canada since February points to real pressures on investment funds. Partly, this is a predictable result of the pick-up in the cycle. But it also stems from the fact that governments, companies and developing countries are all borrowing at the same time. Something has to give: the ministers and government officials assembled in Madrid should decide it will be them.

MAN IN THE NEWS: Ernest Hollings

Protectionist of the old school

Senator Ernest "Fritz" Hollings of South Carolina hopes to make this the week that he changes the world. Mr Hollings intends to try to scupper the legislative package needed to implement the Uruguay Round of the General Agreement on Tariffs and Trade in the US. As the chairman of both the Senate commerce committee and the appropriations sub-committee, which controls the Commerce Department's budget, Mr Hollings does have considerable influence on trade issues.

His resistance has stirred memories of the US congressional veto in the late 1940s that prevented the Gatt from becoming a permanent organisation, like other children of the Bretton Woods conference such as the International Monetary Fund or the World Bank.

However, the odds are strongly against Mr Hollings definitively derailing this Gatt bill. But even the delay is a terrible frustration to President Bill Clinton, who has already seen his hopes of reforming healthcare, welfare and campaign finance blocked by a recalcitrant Congress.

Under the fast track procedure created to give presidents greater authority to negotiate trade agreements, the Gatt legislation, sent to Congress by Mr Clinton earlier this week, may not be amended.

Members do have the right to 45 legislative days to consider the package, and Mr Hollings has promised that he will use that to hold hearings. "I've got my 45 days and I'm going to use every bit of my 45 days," he said.

That would take Congress beyond next Friday, when it hopes to adjourn, and even beyond November 8, when there will be elections

for one third of the seats in the Senate and all of the House of Representatives.

Using the calendar in this way is a standard legislative manoeuvre at the end of a congressional session, as tempers wear thin and members grow impatient to return to their districts to campaign.

Still in jeopardy are measures such as the reform of the Superfund legislation governing the clean-up of toxic waste dumps, a bill to protect a large acreage of Californian desert from development and the last of the 13 spending bills the Congress must pass each year, covering the District of Columbia's budget.

But Mr Clinton has made it clear that completion of the Gatt is his highest remaining legislative priority. While many other bills are allowed to die, or are postponed, if they fall off the end of the legislative calendar, Congress will be brought back to vote on the Gatt legislation.

Instead of adjourning, it will go into recess, while the clock continues ticking on Mr Hollings's 45 days. Senate leaders announced yesterday that the Senate will come back into session on November 30 and will probably vote on the Gatt bill the next day.

The chances of a defeat for the Clinton administration in that vote are slim. There is a substantial majority in both houses in support of the Gatt legislation.

Thus, the delay is only that. It is extremely unlikely that Mr Hollings could muster a simple majority of 51 votes in the Senate against the Gatt bill. There is also an outside chance that manipulation of parliamentary rules could raise the hurdle to 60 votes.

This is not Mr Hollings's first battle against a trade bill. An out-and-out protectionist of the old

Somehow, it has happened again. Seven years after the British vehicle ferry Herald of Free Enterprise capsized off Zeebrugge with the loss of 193 lives, the Estonia disaster has focused world attention on a question that ship-owners hoped had gone away: are roll-on, roll-off ships like these inherently unsafe?

The answer will depend on the conclusions of the various inquiries into the Estonia sinking, now thought to have cost more than 900 lives. But if the inquiries decide, as seems likely, that the Estonia sank because water entered the vehicle deck, the consequences for the ferry industry will be dramatic.

At the least, public opinion could force governments to insist on expensive structural changes to the design of new ships, making them more expensive and less able to compete with aircraft and undersea train services like those through the Channel tunnel. At worst, ship-owners could be forced to spend hundreds of millions of pounds on rebuilding existing ships to tougher safety standards.

That would have serious economic implications, especially in Europe, where the speed and flexibility of vehicle ferries has made them indispensable to trade between continental Europe and the outlying economies in the British Isles and Scandinavia. More than 500 ferries cross the North Sea and the English Channel every day, world-wide, the number of such ferries in use has risen to 2,158 this year from 1,897 when the Herald capsized. No-one knows how much traffic these ferries carry, but they have the capacity to carry 3m gross tons of traffic a day – a third more than over seven years ago.

The talk in shipping circles yesterday was of waiting to see what caused the Estonia to sink, of not jumping to conclusions, of the possibility that the disaster could have been caused by anything from an engine explosion to a mine left over from the second world war. But all the signs point towards a surge of water entering the vehicle deck through one of the main doors.

Much has been done to improve the safety of roll-on, roll-off ferries since 1987. The International Maritime Organisation, the United Nations agency for shipping, agreed in 1988 to raise the stability requirements for new ferries from 1990 and in 1992 to phase in tougher requirements for older ships. The rules also require safety improvements such as closed circuit television supervision of vehicle decks, and emergency lighting to help survivors of an accident reach safety.

The UK went further, passing domestic legislation requiring all ships visiting UK ports to meet the full 1990 standards. This forced shipowners to scrap older ferries that could not be improved, or to transfer them to countries with less rigid safety standards.

However, neither the UK nor the IMO addressed the biggest danger of roll-on, roll-off ferries – the open vehicle decks running from one end of the ship to the other.

The design of such ships dates

back to the 1950s, when trade was picking up rapidly after the second world war. Shipowners realised that cargoes could be transported more quickly and efficiently if cars and lorries could be driven straight onto their ships at the dockside and off again at the end of the journey. The easiest way to do that is provide one or more vehicle decks, access-

through large doors in the hull, running the length of the ship. The design works best if the deck is uninterrupted by walls – known to mariners as bulkheads – which complicate vehicle loading.

The result is that the protection

afforded by bulkheads below the vehicle decks is undermined by a huge and vulnerable open space in the middle of the ship. The space is perfectly safe while it remains dry. But small quantities of water entering the vehicle decks can cause the ship to develop a heavy list and to capsize within a few minutes.

An independent inquiry in the UK, conducted by Mr Justice Sheen after the sinking of the Herald of Free Enterprise, concluded that this problem, called the free surface effect, was responsible for the disaster. The easiest way to do that is provide one or more vehicle decks, access-

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An independent inquiry in the UK, conducted by Mr Justice Sheen after the sinking of the Herald of Free Enterprise, concluded that this problem, called the free surface effect, was responsible for the disaster. The easiest way to do that is provide one or more vehicle decks, access-

through large doors in the hull, running the length of the ship. The design works best if the deck is uninterrupted by walls – known to mariners as bulkheads – which complicate vehicle loading.

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Sea change in UK defence

Bernard Gray on the planned link between BAe and VSEL

The contrast between jet fighters which roar through the stratosphere at twice the speed of sound and nuclear submarines which creep silently through the ocean depths could hardly be more extreme.

But that is the breadth of business British Aerospace is aiming to span if it can bring to a successful conclusion the current negotiations to buy the Barrow-based submarine maker VSEL. The two companies are locked in private discussions about the price at which a friendly takeover might take place.

However, the fact that talks are taking place at all is another demonstration of the way in which the cut in global defence spending is forcing companies to consider mergers and alliances that would have been inconceivable five years ago.

The catalyst for a deal between the two companies is a battle over the contract for the next batch of nuclear hunter-killer submarines for the Royal Navy. In 18 months the ministry of defence will award a contract for up to five Trafalgar class submarines, worth around £25bn. The contract will not go to VSEL on the nod, as it has done with previous orders.

Thus far, the government has viewed nuclear submarines as a secret and vital technology that cannot be fully subject to the competitive purchasing reforms which have brought efficiency gains to other parts of the arms procurement programme. Now the cold war is over, the MoD has the confidence to demand a fixed-price bid to build the new submarines from a risk-taking prime contractor who will bear

the losses if the programme runs over budget.

VSEL badly needs the order. Submarines are its main business, and if the next batch of Trafalgars goes elsewhere, the company will have little work for its vast covered Devonshire Dock Hall in Barrow.

Yet VSEL is a small company, and has found it hard to persuade the MoD that it can take the risks involved on such a large contract. To bolster its chances, the company has disbursed the £250m of cash which it has made from the Trident nuclear missile submarines over the past decade. It has also formed an alliance with the US electronics company Loral, which would provide the submarine's complex electronics, and the skills in integrating them into the boat.

However, the decline in UK defence spending means that other predators are after the Trafalgar prize. Both GEC and BAe want to bid, and both have advantages.

GEC owns the Yarrow shipyard on the Clyde where some of the Trafalgar work could be done. It also has enormous cash resources to back any bid, and is keen to expand further into prime contracting rather than merely supply components and sub-assemblies to BAe.

BAe has no such reserves, but does have more experience than any other British company in managing large defence contracts. Bringing the millions of electronic components together and wiring them into a submarine hull - rather

like making a ship in bottle - offers similar technical and managerial challenges to those of making advanced fighters.

BAe is also keen to expand from being the prime contractor for aircraft to being the dominant defence contractor. It is already involved in the Horizon programme to produce the new generation of frigate, and its joint venture, BAeSema, makes ship and submarine command and control systems.

With two giants fighting over the shrinking procurement budget, VSEL is in danger of being squeezed out. It had considered a alliance with DML, the company which operates the Devonport dock yard in Plymouth. DML's work in refitting nuclear submarines is similar to the construction of the boats at Barrow, and there are many overlaps in the work.

In the event, VSEL seems to have opted for the friendly embrace of

one of the giants. Becoming part of BAe would give it the credibility it needs to become a prime contractor, while furthering BAe's ambitions in naval engineering. Such a deal would be financially advantageous for BAe, buying VSEL with shares would strengthen its balance sheet, while VSEL's large cash pile would cut BAe's debt substantially.

GEC could yet frustrate BAe's plans by counter-bidding for VSEL. It could offer hard cash from its

£2.9bn reserve which might well be more attractive than BAe's shares to VSEL's shareholders. However, GEC has looked at the submarine market and decided not to bid, saying that it could win the Trafalgar contract without owning VSEL.

The BAe approach alters the balance of power, and GEC may reconsider. However, the MoD might then raise objections, unhappy that a single company owns two of the remaining shipyards.

If BAe wins, it could use the cash in VSEL's balance sheet to back bids for other contracts, such as the Future Large Aircraft military transporter, or to help rationalise its commercial aircraft operations.

However, the real motive of the deal is industrial consolidation. Declining defence spending is forcing companies to cut overheads, and mergers are the most obvious way to eliminate costs. In the US the process is proceeding rapidly, but the political barriers to concentration in Europe mean that the process has been slower.

Outright cross-border mergers between, for example, BAe and Dassault of France or DASA of Germany to produce one large military aircraft company would almost certainly be stopped by national rivalries and security concerns.

Faced with limited opportunities on the continent, UK arms companies are consolidating across business areas at home. Earlier this year GKN, the engineering company which makes the Wartime

armoured personnel carrier, bought Westland, the helicopter maker. The two are now being integrated into a single defence division with a unified management structure and marketing team.

Since merger talks between GEC and BAe broke down a year ago, the UK defence industry has polarised further into two camps. BAe is trying to extend its stranglehold of large project management and the integration of complex systems to make complete military hardware. It wants to build fast jets, transport aircraft, attack helicopters, ships and submarines and would probably have tried to buy Westland if GKN had not started with an almost unstoppable shareholding.

GEC has also been extending its stranglehold on the electronics and avionics business. In the past year, for example, it has acquired most of the remnants of Ferranti from the receivers. Both are, however, hedging their bets by forming cross-border alliances, GEC with Thomson of France in sonar, BAe with Matra of France in missiles. More such deals are likely to follow and both companies are also both involved in the biggest collaborative programme of all, the Eurofighter.

The bid for VSEL is part of the first phase in European defence consolidation. The next, and larger, phase will be the decisive one with the two UK camps either merging with each other or combining with similar companies on the continent. Which route is taken will depend on whether the political reluctance to contemplate a truly European defence industry thwarts faster than the opposition within BAe to a merger with its old rival.

Testing journey to the party's roots

Tony Blair, UK opposition leader, needs to prove Labour shares his policies, says Philip Stephens

Mr Tony Blair has a straightforward task next week. He must demonstrate he can command the party he was elected to lead. When he has done that, he can begin the tougher job of making Labour safe for government.

Since his leadership victory in July, he has chosen to address a wider audience than the activists gathering in Blackpool for their annual conference.

The voters of middle England have been told that here is a Labour leader they can trust. Mr Blair understands economic realities; he is no friend of yobs or criminals; he cares more about discipline than political correctness in the classroom.

The prospectus has been an attractive one. The unusually kind (occasionally gullible) media have applauded his youthful self-confidence. The Conservatives have been wrong-footed, unsure whether to attack him directly or to concentrate their fire on the unreconstructed socialists lurking in the shadows.

But the new leader has to show that a message tailored to the aspirant classes of southern England has the consent - let alone the enthusiasm - of his party's activists.

After 15 years in the political wilderness, its leadership has rid Labour of the self-indulgent extremism which ensured the electoral defeats of the 1980s. At its roots, though, many prefer still the party's heart to its head. The activists cling to the comfortable certainties of post-war Labourism.

An inviolate welfare state, a tax system that redistributes wealth and a privileged place in society for the unions head the list of cherished icons.

Mr Blair comes as a stranger to the culture of activism. Despite his overwhelming leadership victory over Mr John Prescott and Mrs Margaret Beckett, he is better known in

the media than within his own party.

His spell after the 1992 general election as home affairs spokesman gave him a profile as a politician who preferred the instincts of the respectable working classes to those of the liberal intelligentsia in shaping his approach to crime.

But unlike Mr Neil Kinnock or Mr John Smith, he has never been a party insider, a politician at home in the smoke-filled rooms in which Labour traditionally has done its business.

Even among many Labour MPs the unclueable Mr Blair is an unknown quantity. More than one shadow spokesman has sought the advice of journalists at Westminster on how they should approach the new leader.

Some on the far left are already talking the familiar language of "betrayal". There are mutterings higher up in the party about the leader's habit of reinterpreting in interviews long-cherished policies.

The traditionalists in the unions will be looking for the moment to reassess their influence. During the conference debate on the economy they will test his commitment to a minimum wage.

Leadership pledges to spend only what the nation can afford do not win cheering at Labour conferences.

Mr Blair has sought to anticipate the critics. His strategy has been to use the leadership honeymoon to seize as much ground as possible for the modernising cause. In spite of their different backgrounds and one or two private differences, Mr Prescott has proved a loyal deputy.

So the Labour leader hijacked a routine press conference on education policy to emphasise his sympathies lay with the concerns of parents rather than with the narrow interests of the teaching unions.

He also shunted Mr Harry

Whitby out of the post of gen-

ing yet to talk in detail about tax and spending. Mr Kinnock and Mr Smith before him had already jettisoned much of the ideological baggage. But the terms of Mr Blair's enthusiastic embrace of the market economy made it sound like he meant it.

So the party will discover in Blackpool that it has ditched 50 years of attachment to the fatally seductive vision of a socialist paradise created by

pulling a few economic levers and nationalising half a dozen industries. Mr Blair has to start putting something in its place.

The Labour leader, we are told, has some answers. His speech in the Empress Ballroom on Tuesday afternoon, the most important of his political life, will start to fill the vacuum.

It will offer a programme to modernise industry and create a competitive economy, and a nation at work not on benefit.

An education and training revolution and a willing partnership between public and private sectors rather than old-fashioned demand management will provide the instrument of change.

The promise of economic competence and social improvement will be accompanied by Mr Blair's new emphasis on social responsibility. A commitment to the notion of society involves an equivalent determination to stamp out antisocial behaviour. It also

means higher standards in government and the replacement of quangos with accountable democracy.

He calls this ethical socialism. A more accurate description is social democracy. The basic judgment (shared incidentally by many senior Conservatives) is that the election will be won by the party which promises opportunity and security in a turbulent, unpredictable world.

The overwhelming advantage that Mr Blair has over his predecessors is that his ideas match his image. He looks and sounds modern, reasonable, intelligent. This week's opinion polls have underlined the strength of his position - and the potential market for his message.

But the language of principles is not enough. Mr Blair has to offer substance if he is to provide definition to the sometimes vague rhetoric. He must convince us also that his party's policies are indistinguishable from his own.

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It was the image war that

Elderly's mortgage worries

From Mr A B Craven.

The survey by BMRB for Building Societies Association referred to by Alison in "Societies hang on to my image" (September 22) is not accurate in its conclusion that building societies would appear to the public to be the best of the teaching unions.

He also shunted Mr Harry

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ing yet to talk in detail about tax and spending. Mr Kinnock and Mr Smith before him had already jettisoned much of the ideological baggage. But the terms of Mr Blair's enthusiastic embrace of the market economy made it sound like he meant it.

So the party will discover in Blackpool that it has ditched 50 years of attachment to the fatally seductive vision of a socialist paradise created by

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Competition best way to harness talent

From Mr Francis Duffy.

Sir, I am not surprised Colin Amery did not like the results of the architectural competitions for the South Bank and Cardiff Bay Opera House (Architecture, "The tyranny of the few", September 26). Everyone liked the results of the architectural competitions in which Amery has sat on the jury. No one would argue that those

results brought the competitions system into disrepute.

I cannot comment on the lay jurors that Amery has dealt with, but I have yet to come across a group of lay judges who quietly acquiesced in the views of overpoweringly articulate architects.

Architectural competitions have been designed to be the very opposite of "jobs for the boys". On the day Amery's

piece appeared, the RIBA-run anonymous competition for the conversion of Baltic Mills in Gateshead was won by a Dominic Williams, an "unknown" architect, the 29-year-old antithesis of an old boy. This RIBA competition gave an architect, too young to be "fashionable" in Amery's sense, the opportunity to win an important commission.

Gateshead has set the stan-

dard for lottery-funded projects. I can think of no better way than properly run architectural competitions for harnessing the broadest range of architectural talent to meet a variety of emerging needs.

Francis Duffy.

president

Royal Institute of British

Architects,

66 Portland Place,

London WIN 4AD

Status of Lloyd's agents as 'third party' unexplained

From Mr J Hamilton Stutt.

Sir, The circular which has just been sent by Lloyd's debt collectors to some 14,000 names contains the truly astonishing statement that "...any claim you may have against third parties (such as your member's and other agents) does not affect your liability to make payments to Lloyd's immediately".

So our member's and managing agents, the people to be named, have been informed that savings, are to be used to pay off debts to Lloyd's immediately.

J Hamilton Stutt

Berger, 12 Bingham Avenue,

Poole, Dorset BH1 5NE

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COMPANY NEWS: UK

Warning that margins will continue to slide follows losses of £7m

Hi-Tec Sports shares dive 33p

By Peter Pearce

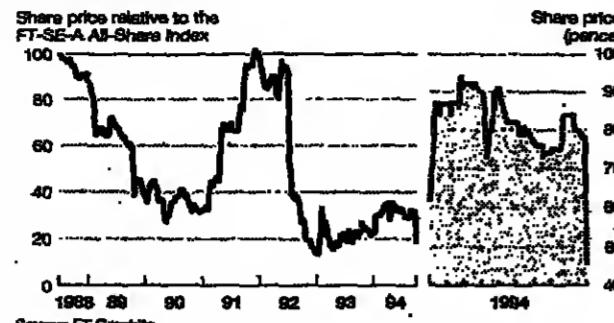
Shares in Hi-Tec Sports tumbled by 33p to 45p yesterday as the sports shoe and leisure wear company reported a fall into headline losses in the six months to July 31 and suggested that margins would continue to slide until at least the spring of 1995.

In a period of significant changes within the group, pre-tax profits of £776,000 were turned into losses of £7.1m after exceptional charges of £5.91m and interest payable of £201,000 higher at £1.54m.

The restructuring was now over, said Mr Frank van Wezel, chairman and 53.19 per cent shareholder, and the loss-making activities had been "dealt with".

Apart from the closure of the European subsidiaries, the most important event has been the disposal of 60 per cent of Cofex, the Dutch company which makes fashion jackets under the Bad Boys brand name. In the period it incurred unchanged trading losses of £1.95m, and accounted for £202,000 of interest charges and 5.1m in respect of goodwill.

Hi-Tec Sports



Source: FT Graphite

boots among urban youth disguised a 22 per cent rise in sales of the core hiking boots. There was also a hiatus when the group repositioned its products and withdrew them from discount retailers. Some 54m of sales were lost.

In the UK and Ireland profits eased by £100,000 to £700,000 as sales up 8 per cent to £21.6m. Sales of brown boots rose from 12 to 13 per cent of the total. South Africa did well since the elections, accounting for some 10 per cent of the rest of the world's £2.2m (£3.5m) total. Profits were £500,000 (£700,000).

The group has changed its auditor from KPMG Peat Marwick to Touche Ross. It has also changed its year-end from January 31. "In the middle of our delivery season" to April 30.

The interim dividend is 1.8p (1.25p), increased for the 15-month period. The directors are taking up the scrip alternative, so the cash element is covered 1.4 times, even though losses were 15.6p (earnings 1.4p) per share. Forecasts for the year to January 31 have fallen to 22p or earnings of 3p, for a prospective multiple of 15.

256.7m (£53.9m).

Mr Peter Butler said that having never been properly monitored, group stock was now being managed at lower levels and that these stock reductions would continue.

Stock provisions had been raised by £500,000. Discounting seasonal swings, debt had been reduced by £5.1m to £21.3m.

In North America operating profits fell to £1.2m (£2m) on turnover of £23.2m (£23.6m). Mr van Wezel said a sudden fall in the fashionability of the Magnum law enforcement

previously written off.

Mr van Wezel said that the losses this time masked underlying growth in the group's core rugged outdoor footwear and were different from the recessionary losses of two years ago.

Group turnover edged ahead to £60.4m (£59.1m), including £3.73m from discontinued operations. On continuing activities, margins were down about 2 per cent across the group. Stripping out Cofex, pre-tax profits fell to £1m (£2.9m) on turnover up at

256.7m (£53.9m).

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Higher sales to US boost Renishaw

By David Blackwell

Higher sales to its main market in the US helped Renishaw, the specialist measuring equipment group that exports 91 per cent of its output, to lift annual profits by 15 per cent.

The shares closed ahead 11p at 289p yesterday.

Pre-tax profits in the year to end June 30 rose from £7.14m to £9.5m on total sales ahead from £45m to £50.5m. Operating profits were ahead from £4.9m to £7.1m.

Sales in the US grew by almost 15 per cent from £17.2m to £19.7m. Mr Ben Taylor, assistant chief executive, said that the US economy was improving enough to bring benefits.

In addition, the group had been successful in selling so-called retrofit products - equipment that can be fitted to improve existing machining centres' control systems.

In contrast, sales to Germany fell from £8.44m to £6.83m, while sales in Japan eased from £6.2m to £5.8m.

This was offset by improving sales to other overseas countries (up from £4.7m to £5m) as the group developed new markets in Korea, Taiwan, India, Malaysia and Hong Kong.

It also opened offices in Singapore and Beijing.

The group, which successfully brought a new £1.5m machining facility on stream last April, spent £3.5m on

research and development and £2.5m on associated engineering. It intends to maintain expenditure at the same levels this year, and will be launching further new products.

Interest receivable fell from £2.2m to £1.05m because of lower rates. Net cash rose from £19.4m to £22.2m.

Earnings per share rose from 10.3p to 12p. A final dividend of 4.4p (4p) is proposed, taking the total for the year to 6.9p (6.5p).

The group is also making a 1-for-10 scrip issue.

COMMENT

A buoyant final quarter brought Renishaw in ahead of expectations. With its high

operational gearing, it does not take much of an increase in turnover to move profits, and substantial improvements appear in sight. Its new scanning devices and the Raman imaging microscopes are selling well, and the group is keeping the pressure up on both new products and the search for new markets. At the same time costs have been tightly controlled, and it is generating cash. Interest rates have also moved in its favour. Like-for-like sales in Germany and Japan are up in the first months of this year, indicating further benefits to come. However, this is reflected in a prospective multiple of 21 if profits hit £9.5m this year.

Buying a spray to cut the mustard

Roderick Oram on why Reckitt & Colman is selling its famous brand

What kind of company - and chief executive - can sell not one but both its birthrights within six months?

Reckitt & Colman is the company, Mr Vernon Sankey the chief executive and Reckitt's Blue and Colman's Mustard are the birthrights with roots going back 180 years. No products could be more synonymous with their maker.

Turning its back on clothes whiteners and English mustard, it aims to become "one of the leading household products groups in the world" selling the likes of air fresheners, laundry cleaners and disinfectants.

To that end it agreed to pay £1.55m (£59m) this week for L&G Household, a US maker of such mundane products, and put Colman's up for sale to help pay for it.

The news came out of the blue for Norwich, the East Anglian town which has been home to Colman's since Jeremiah Colman started milling mustard near there in 1814. Five generations later, the company is chaired by Sir Michael Colman, the last employee from the family.

"There is a great deal of surprise and shock," one citizen said. "People have found it difficult to come to terms with the sale and what might happen to the 750 jobs here."

Because Colman's is a bigger business than Blue and so closely identified with Norwich, the psychological impact was far greater than Hull suffered in March. The Humber-side city where Isaac Reckitt built his enterprise from 1840 was then told that the business had been sold to Holliday

Chemical. The Colman's sale was also bad for the company.

"Emotionally it was very, very difficult," Mr Sankey says, leaping up from a chair in his London office and rushing over to the largest picture on the wall. "That was my office. That was my car," he points out on an aerial photograph of the Norwich operation.

He began his Reckitt career there, aged 22, in 1971 and returned in 1985 to become managing director.

"How could you sell Colman's? We lived there, my two oldest children said to me this week. But within a few minutes they understood the strategy perfectly," Mr Sankey says.

Apparently a highly persuasive communicator, he had also convinced Sir Michael of the merits. Colman's would be better off with a food company rather than a seller of household products, the chairman said earlier in the week.

It was all part of the company's evolution. Mr Sankey says: Reckitt merged with Colman in 1938 although they had been pooling their overseas activities from 1913. The group continued to function in largely separate parts until 1970. Then, working to a blueprint from McKinsey, the management consultants, it adopted a typical multinationals structure.

More importantly, the first historic roots were torn up. The headquarters were moved from Hull to the west London home of Colwick Products, of Cherry Blossom shoe polish and Mansion floor polish fame, which joined the group in 1984.

3.5bn - have pushed household products, toiletries and over-the-counter drugs to the fore and food to the rear.

What was Mr Sankey's role in all this as a corporate strategist in the 1970s, a line manager in the UK, the Continent and the US in the 1980s and chief executive since January 1992?

"I just happen to be the person at the front. Focusing on me would not help in terms of the culture we're trying to develop to engage the hearts and minds of the people in the company."

Does he go through the process? "Too right! Too right," he says.

According to his colleagues he is trying to curb his inclinations to chip in his thoughts first and to make excessive demands on people. On the plus side he is the modern team leader: hugely energetic, very encouraging, quick to learn and analyse.

And yet the City knows little of this side of Mr Sankey and Reckitt. It likes the strategy but thinks the company is conservative and faces a stiff management challenge to meet its global ambitions.

The company's shares fell sharply on news of the L&G acquisition.

Ash & Lacy advances 29%

An all-round divisional improvement at Ash & Lacy together with higher margins enabled the engineering group to raise pre-tax profits by 29 per cent from £1.57m to £2.02m in the half year to July 1.

Turnover rose by 7 per cent. There was a strong advance in UK galvanizing and non-ferrous metals, but manufacturing and French galvanizing experienced further reduced activity.

Earnings per share came to 5.2p (3.7p) while the interim dividend has been maintained at 2.5p.

Dividends announced

Current payment Date of payment Dividend - pending Total for year Total last year

Ash & Lacy Int 2.5 Nov 19 2.5 - 5.4

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Off-field activities help Man United to double

By Tim Burt

Manchester United yesterday announced a sharp increase in full year profits as the Premiership champions benefited from increasingly lucrative non-football activities.

The FA Cup holders saw pre-tax profits more than double to £10.76m (£4.2m) as the contribution from gate receipts, its staple income, was overtaken by off-the-field businesses such as merchandising, sponsorship and catering.

Those activities helped lift profits before transfer fees from £8.19m to £11.45m, on turnover ahead 74 per cent at £43.8m (£25.2m) in the year to July 31.

Although the figures were flattered by relatively low spending on new players and capacity constraints last year, Mr Martin Edwards, chief executive, said the improvement had persuaded the club to draw up plans to expand Old Trafford by more than 22 per cent. The club wants to increase its stadium capacity to about 54,000, enabling it to exploit excess demand for match tickets.

While negotiating possible land purchases around the stadium, Mr Edwards also signalled an increasing drive to tap merchandise sales, which almost trebled from £5m to £14.2m.

"Most of the growth has come from wholesaling," he added. "We've signed an overseas marketing deal in Japan for our products and other countries are lining up."

The balance sheet, meanwhile, was strengthened by a £2.75m increase in the transfer



Colin Searle
Martin Edwards (left) and Robin Launders: drawing up plans to expand Old Trafford stadium capacity by over 22% to 54,000

fee reserve to £4m, the facility which allows the club to set aside a proportion of profits to cover future player acquisitions and a possible fall in gate receipts should the team falter in league and cup competitions.

Earnings per share rose from 42.4p to 51.1p before switching funds to the transfer reserve, and 38.5p (32.5p) after. The final dividend is lifted to 14.5p (13.5p) for a total of 21p (19.5p).

Mr Robin Launders, finance director, also announced a 4-for-1 share split to improve the marketability of the shares, which rose 5p to 69p.

• **COMMENT**
The Reds appear to have scored a hat-trick with on-field

goals, retail sales and rampant ticket demand. Increased sponsorship and a possible £7m windfall from the European Cup makes the prospects look rosy. But the figures are untypical. They have been distorted by smaller crowds in 1993, a year when the club spent £4m on players. To ensure success in Europe, the club will have to spend more on English players – denting future profits. Payments to such players last year pushed staff costs up to £11.1m (£7.55m). The figure is likely to increase. Profits this year, therefore, could fall to around 27.5p. On a forward multiple of 16.2, the shares are a must only for long-term investors and diehard fans.

Fortnum & Mason up 15%

Fortnum & Mason, the department store company 89.3 per cent owned by Wittington Investments, reported that the improvement seen in the first six months continued in the second half of the year to July 9 resulting in record pre-tax profits of £2.31m.

That was a 15 per cent increase on the previous £2.01m. Turnover was up 12 per cent from £24.7m to £27.6m

with exports up by 49 per cent. Mr Garry Weston, chairman, said that present trading had been affected by the rail strikes and the hot weather in the first few weeks of this year, but exports continued to be buoyant.

Earnings per share were 36.8p (31p) and the second interim dividend is raised to 24p making a total for the year of 110p (100p).

£3m plant hire purchase by Allen

Allen, the engineering, building and property group, is expanding its plant hire activities with the £3m acquisition of Kendrick Hire, the UK's largest privately owned tool hire company.

The consideration will be satisfied by the issue of 1.35m shares and £600,000 cash.

Kendrick reported pre-tax profits of £105,000 on turnover of £7.1m for the March 31.

INTERNATIONAL COMPANIES AND FINANCE

Swiss Re sells non-core businesses

By Ian Rodger in Zurich and Christopher Parkes in Frankfurt

Swiss Reinsurance, the world's second largest reinsurance after Munich Reinsurance, is selling all its interests in primary insurance companies to concentrate on expanding its core business.

In the most important transaction, Allianz of Germany, Europe's largest insurer, has agreed to pay SF1.5bn for Swiss Re's 60 per cent stake in Elvira, Switzerland's fifth largest insurance company with annual premium volume of SF12.6bn (£2bn). It will also make an offer to public shareholders for the balance at SF1.915 per share. The planned purchases will increase the Allianz group's premium income – DM65.5bn (£31.6m) last year – by almost 20 per cent.

This marks the first big advance of a non-Swiss company into the lucrative and recently liberalised Swiss insurance market.

Allianz has also agreed to buy Vereinigte/Magdeburger of

Munich from Swiss Re, which would substantially strengthen its already solid position in the German market.

It is also purchasing Swiss Re's 62.7 per cent stake in Lloyd Adriatico of Trieste for SF12.7bn and making an offer to minority shareholders at £20.342 per ordinary share and £20.335 per savings share.

Meanwhile, Switzerland's Winterthur Insurance will take over the troubled Schweiz Seguros of Barcelona and Schweiz Italia of Milan, as well as Swiss Re's majority stake in La Equitativa of Madrid. Terms were not disclosed.

Mr Lukas Mühlmann, who

joined Swiss Re as chief executive a month ago, said a strategic review by the group had concluded that the primary insurance market would polarise around big companies and niche players as deregulation in Europe proceeded.

Swiss Re's profit was achieved in spite of SF160m in losses on its primary insurance businesses, mainly due to a "misguided business policy" at Schweiz Seguros. Swiss Re has provided SF140m to put Seguros in order before Winterthur takes it over.

Mr Lukas Mühlmann, who

US retailer emerges from Chapter 11

By Tony Jackson in New York

Herman's Sporting Goods, the ill-starred US sporting goods retailer, has emerged from Chapter 11 bankruptcy and plans to expand. Herman's is owned by an investor group led by the New York merchant banks Whitman, Heffernan, Rhen and Carl Marks.

The group bought Herman's in March 1993 and put it into Chapter 11 three days later.

Herman's was originally acquired by the UK's Dee Corp (now Gateway) in 1986 for £27.5m (£38.2m), and promptly went into loss as a result of ill-judged expansion. Gateway was taken over in 1988 in the UK's largest buy-out, and attempts were made to sell Herman's. The eventual sale price was believed to have been about \$40m.

The new owners have used bankruptcy protection to return Herman's to its stronghold in the north-east states, closing all stores west of Pennsylvania and south of Virginia.

BK Vision upbeat on UBS move

By Ian Rodger

BK Vision, the investment company seeking shareholder support to alter the direction of Union Bank of Switzerland, said yesterday it was optimistic that a majority of UBS shareholders would reject the bank's proposal to abolish its registered shares.

This class of shares has five times the voting power of the bank's bearer shares. UBS on Thursday said it suspected BK Vision, controlled by Mr Martin Ebner's EZ banking group, was putting together a concert party to seize control of the bank, mainly through pur-

chases of the registered shares. The registered shares, on which voting rights are restricted to Swiss citizens, have been trading at a substantial premium to the bearer in recent months.

UBS has called an extraordinary general meeting on November 22 to approve a split of bearer and registered shares into bearers of equal par value. No compensation would be offered to registered shareholders for the loss of preferential voting power on their shares.

BK Vision, which holds 19 per cent of the registered shares, worth some SF1.2bn

rid that initiatives such as the Basel Committee's proposals to allow banks to use internal risk models to allocate capital for trading could lessen the burden by changing the "style and quality" of supervision.

He suggested costs could also be reduced by managers and supervisors jointly design-

NMB sold to Bank of England for nominal amount

By Alison Smith

The short and unhappy life of National Mortgage Bank as a subsidiary of National Home Loans ended yesterday when its parent announced that it was being sold to the Bank of England for a nominal sum.

In February 1992, NMB said it had decided to run down the business and would make no further investment in it. Mr Ian Hay Davison was installed as chairman to manage the winding down of the bank.

Mr Jonathan Perry, NMB's executive chairman, said NMB had already written off all its investment in NMB and the announcement merely transferred the ownership.

NMB was set up in 1989 and dealt in commercial mortgages, leasing and second mortgage loans. It also offered current account banking facilities and had a full banking licence.

By 1991, however, it was suffering in the aftermath of the collapse of the Bank of Credit and Commerce International, as local authorities began making deposits out of smaller banks – mostly local councils – withdrew deposits totalling \$22m in 1991, more than half its total deposits.

The withdrawals led to a group of 10 banks agreeing to put up a £200m cash lifeline for NMB, supported by an indemnity from the Bank of England. The arrangement was extended and increased in March 1992.

The Bank of England's annual reports show that provisions for support operations in 1991-92, mainly in respect of NMB, totalled £115m at end-February 1993, falling to £165m at the end of February this year. The announcement merely changes the form rather than the substance of the Bank's support.

NMB's core business is providing mortgages for residential property. It returned to new lending only four months ago through its Homeloans Direct subsidiary.

The deal, the first since

BFI bid impossible to rubbish

Attwoods still insists the price is too low, says Peggy Hollinger

Even Mr Ken Foreman, chief executive of Attwoods, cannot fault the logic that has prompted a hostile £384m bid for his waste services company.

Attwoods makes a sound fit with Browning-Ferris Industries, the US company valued at \$6m which is offering 10.5p a share in cash. "You cannot argue with it from their point of view," Mr Foreman says.

"But you can point out it is worth a lot more than they are paying."

BFI disagrees, of course. It says it has factored in the benefits of synergies in the US and a premium to what it believes is the true trading level.

BFI bases its offer on two main arguments: price and industry dynamics. On the first issue, it is convinced that Attwoods has been inflated by bid speculation following management changes at Laidlaw of Canada, its largest shareholder with 29.8 per cent of the ordinary shares and 73 per cent of the preference stock.

BFI also argues that the shares have been kept artificially high by a belief that Laidlaw would not take a further writedown on its stake. In 1991, Laidlaw halved the carrying value of its original \$900m investment to \$10.25 per American Depository Receipt – equivalent to five ordinary shares.

Yet Laidlaw has agreed to sell its ordinary shares to BFI at 8.5p per ADR, and its prefs at 8.5p, even if a second bidder enters with a higher offer.

Attwoods' shares did rise sharply in the months after the arrival of Mr Jim Bullock as Laidlaw's chief executive. However, at about the same time, the group announced the sale of its loss-making recycling business, Mindis, and institu-

tional investors began buying in earnest. But the gains were wiped out by March soon after the Attwoods board met to consider second-quarter results that would show disappointing performance in Germany.

Attwoods argues that, contrary to BFI's claims, Laidlaw's intentions to sell depressed the shares when 1995 recovery potential should have enhanced them.

The fact that Laidlaw agreed to take 10.5p, the closing price the day before the offer, simply reflects the pressures on one shareholder, Attwoods argues. This has no relevance to what others should be demanding of their investment. Outsiders are divided over whom to believe. Most US analysts think the offer is opportunistic. Industry insiders and US analysts, however, tend to agree with BFI's assessment of an inflated share price. "Absolutely. There is no doubt that they were buoyed by bid speculation," said one waste executive.

Ken Foreman of Attwoods can't fault BFI's logic. Attwoods has limited itself largely to collection in the US, which is lower margin. Regulation is also forcing companies to adopt an increasingly integrated approach. In California, for example, legislation demands that 50 per cent of waste which is collected must be recycled.

Yet Attwoods last year sold its only recycling business at a huge \$31m loss, just before the prices of recycled materials began to firm.

BFI says Attwoods' strategy has left it depending on rivals to dispose of waste. That was fine when landfill prices were falling, but now they too have begun to stabilise, says BFI.

Furthermore, the increasingly competitive nature of municipal contracts, on which Attwoods relies heavily in both its US markets, mean it will face price pressure in its everyday business.

Many of BFI's arguments about trends in the US waste industry are supported by analysts and rivals. Mr Hugh Holloman of Alex Brown, a leading US waste analyst, says "integrating collection and disposal operations provides the best opportunity for stable margins". WMX Technologies, the world's biggest waste group, has also been pursuing a policy of integrated services.

Yet BFI has, remarkably, not broadcast a more immediate bonus from the acquisition of Attwoods. The target's business would give a nice boost to BFI's own solid waste collection operation, expected to return flat profits this year.

While acknowledging that a takeover makes sense strategically, Attwoods dismisses as rubbish BFI's claims that it would create an integrated company in its largest market, Florida. BFI does not own landfills there, while Attwoods has three. Yet BFI does have recycling operations there.

Attwoods also dismisses BFI's attacks on its recent performance as unjustified. All waste companies have suffered earnings declines and write-offs, Mr Foreman claims. BFI itself, he says, has had exceptional charges of \$785m in the last five years and its credit rating is under review.

Finally, Attwoods will also give BFI a significant boost in the recovering UK market, where it has both collection and landfill interests.

All this means that any offer, hostile or otherwise, deserves a premium, Attwoods says.

Furthermore, the increasingly competitive nature of municipal contracts, on which Attwoods relies heavily in both its US markets, mean it will face price pressure in its everyday business.

In the 12 months to last December it made pre-exceptional operating profits of \$2.7m on sales of \$15.2m.

The deal follows five months of talks with Albermarle – the former speciality chemicals company, claims to be the only global producer of polyimide foam, used mostly in insulating naval vessels and aircraft fuselages.

Albermarle, a subsidiary of Albermarle, the US chemicals business, claims to be the only global producer of polyimide foam, used mostly in insulating naval vessels and aircraft fuselages.

The announcement of the disposal followed a confidential statement from Mr Kajo Neuert, chairman, who said the group's liquidity situation had never been better.

In a letter to staff, he said the disposals programme started early this year as one of the conditions of a DM3.4bn rescue package assembled by creditor banks and shareholders was by and large complete.

Between the banking quarter and fashionable West End area, for three years.

Unofficial estimates had earlier suggested it might earn about DM700m from the sale. Although the price was not disclosed, officials said DM500m was "plausible". It is understood Deutsche Bank, one of the group's main shareholders and its leading creditor, was also interested in buying the site, which is rated as one of the most desirable in Germany's financial capital.

Metallgesellschaft will lease back the building, on a prime 25,000 sq metre site next to the Alte Oper opera house and

Inspec pays \$17.3m for US foam maker

By Tim Burt

Inspec Group, the speciality chemicals company which came to the market earlier this year, yesterday announced plans to expand in North America with the \$17.3m (£11m) acquisition of Imitech, the US foam manufacturer.

The deal, the first since

Inspec's £49.5m flotation in March, will be funded from cash reserves and new borrowing facilities totalling £17.5m.

"It will increase turnover by about 14 per cent and boost the level of earnings," said Mr Jim Ratcliffe, managing director.

Although the acquisition will push gearing beyond 100 per cent on net borrowings of

£18m, Mr Ratcliffe said strong cash generation would ensure interest cover of at least 12 times.

Unofficial estimates had earlier suggested it might earn about DM700m from the sale. Although the price was not disclosed, officials said DM500m was "plausible". It is understood Deutsche Bank, one of the group's main shareholders and its leading creditor, was also interested in buying the site, which is rated as one of the most desirable in Germany's financial capital.

Metallgesellschaft will lease back the building, on a prime 25,000 sq metre site next to the Alte Oper opera house and

Headquarters sale winds up Metallgesellschaft disposals

WEEK IN THE MARKETS

Copper's advance boils over

London Metal Exchange traders watched anxiously yesterday morning as the three months delivery copper price dipped below the \$2,500-a-tonne mark.

The price reached a 37-year high of \$2,578 on Wednesday but the mood of the market changed the following day with the expiry of the September position at the New York Commodity Exchange. Tightness in that contract had been underpinning LME copper prices, dealers explained.

Stop-loss selling orders were triggered on Thursday as the three months price fell through support at \$2,550 and a short-term trend line at \$2,540. Further important chart levels were breached yesterday morning, traders told the Reuters

stocks of copper did little to relieve the market's gloom; but a 0.66 per cent fall in aluminium stocks was enough to underpin a rally in that metal's price. After an early dip to \$1,601 a tonne the three months position rose to \$1,624 before closing at \$1,617 a tonne, down \$2 on the day and \$14 on the week.

Dealers said that the recovery was fuelled by speculative buying and short-covering and suggested that the strength of cash-supported support around \$1,600 boded well for an early attempt on the contract's overall objective of \$1,650 a tonne.

The gold market ended lower on the week after briefly rising to \$400 a troy ounce in response to a report, later denied, that Russia planned to halt exports of the metal.

At the London bullion market the price ended \$2.20 down overall at \$3,838 an ounce, but traders said it had done enough to foster hopes of a renewed advance next week.

"Gold's" upturn remains intact down as far as \$388-\$395, one dealer pointed out, though he added that it remained to that level would long delay a fresh assault on \$400.

The outlook for coffee prices appears less promising. In spite of the continuing dryness in Brazilian growing regions the November futures price at the London Commodity Exchange fell by \$187 this week to \$3,830 a tonne.

"It's looking fairly weak. Nobody is in the mood to buy, the roasters have backed off and we're just drifting," said one trader as the price extended its decline yesterday. But others noted that concern about the Brazilian weather situation was ensuring that selling pressure remained fairly light, enabling the price to finish \$40 above the day's low.

Reuters reported that the latest forecast indicated continued dry, warm weather over the weekend in most Brazilian coffee growing areas, though a few scattered storms were possible.

Richard Mooney

news agency, with continued stop-loss selling accelerating the decline.

The worrying thing about copper is that the market can go down to \$2,150-\$2,200 and still be above the major uptrend line, one dealer said. Moreover, the copper market's upside potential is limited as its recent support around \$2,320 should now offer resistance.

Yesterday's early fall was halted at \$2,495 a tonne by the appearance of scale-down buying and some bargain-hunting. But by the close of the afternoon ring late selling had taken the three months contract to \$2,490.50 a tonne, down \$40.25 on the day and \$80 on the week.

The announcement first thing yesterday of a 1.16 per cent fall in LME warehouse

WEEKLY PRICE CHANGES

Latest price	Change on week ago	Year ago	1994
Gold per troy oz.	-2.20	\$365.50	\$369.50
Silver per troy oz.	-6.55	271.00p	284.50p
Aluminium 99.7% (tonne)	+120	254.00	260.00
Copper Grade A (tonne)	+1.00	101.00	101.75
Lead	+1.00	371.75	371.75
Nickel	+182	144.00	144.00
Zinc	+1.50	145.00	145.00
Tin	+45	32.25	32.25

Per tonne unless otherwise stated. p Pence. © Coss. & N. Nov

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

ECONOMIC DIARY - FORWARD EVENTS

TODAY: G7 finance ministers and bank governors meet in Madrid ahead of official meetings of the International Monetary Fund/World Bank annual meeting.

TOMORROW: G10 ministers meet in Madrid. Interim committee meeting of the IMF. Mr Nelson Mandela, president of South Africa, visits the United States.

MONDAY: MD figures (September-provisional), US NAPM index (September); construction spending (August); US factory orders (August). Mr Shimon Peres, Israeli foreign minister, visits Los Angeles.

TUESDAY: Opening ceremony of the IMF/World Bank annual meetings in Madrid. UK official reserves (September). Advance energy statistics (August). Full monetary statistics (including bank and building society balance sheets, bill turnover statistics, lending secured on dwellings, official operations in the money market, sterling certificates of deposit and sterling commercial paper) (August). US leading indicators (August).

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 607 PURITY (\$ per tonne)

Close 1605-5
 1605-5 |

Previous 1645-5-5
 1650-7 |

Open 1645-5-5
 1645-5 |

Total daily turnover 577
 |

■ LEAD (\$ per tonne)

Close 620-1
 634-5 |

Previous 624-5
 624-5 |

Open 610-5
 628-5 |

Total daily turnover 7,181
 |

■ ALUMINIUM ALLOY (\$ per tonne)

Close 1615-5
 1655-8 |

Previous 1645-5-5
 1650-7 |

Open 1645-5-5
 1645-5 |

Total daily turnover 3,059
 |

■ GOLD (\$ per troy oz.)

Close 418.4
 415.5 |

Previous 422.4
 414.3 |

Open 418.4
 415.5 |

Total daily turnover 4,207
 |

■ PLATINUM NYMEX (\$0.10 Troy oz.)

Close 104.9
 105.70 |

Previous 102.0
 105.00 |

Open 104.9
 105.70 |

Total daily turnover 22,781
 |

■ PALLADIUM NYMEX (\$0.10 Troy oz.)

Close 104.9
 105.2 |

Previous 102.0
 105.00 |

Open 104.9
 105.2 |

Total daily turnover 1,059
 |

■ NICKEL (\$ per tonne)

Close 158.0
 159.0 |

Previous 158.0
 159.0 |

Open 158.0
 159.0 |

Total daily turnover 4,420
 |

■ COBALT (\$ per tonne)

Close 158.0
 159.0 |

Previous 158.0
 159.0 |

Open 158.0
 159.0 |

Total daily turnover 7,181
 |

■ TIN (\$ per tonne)

Close 638.0-70
 640.0-70 |

Previous 641.0-65
 641.0-65 |

Open 638.0-70
 640.0-70 |

Total daily turnover 9,611
 |

■ ZINC, special High grade (\$ per tonne)

Close 1006-7
 1006-7 |

Previous 1007-5-6-5
 1003-1 |

Open 1006-7
 1003-1 |

Total daily turnover 9,603
 |

■ COPPER, Grade A (\$ per tonne)

Close 2476.5-77
 2480-1 |

Previous 2518-4
 2503-1.5 |

Open 2486
 2504/2475 |

Total daily turnover 88,801

■ COPPER, Grade A (tonne)

Close 216.782

■ LIME AM Official 2/8 rate: 1.8600

LIME Closing 2/8 rate: 1.8770

Spot 1.8770 2 mth: 1.8785 6 mth: 1.8788 9 mth: 1.8788

■ HIGH GRADE COPPER (COMEX)

Close 101.6900

Open 98.00

Day's change -0.39

High 101.6900

Low 97.6100

Open Int. 16,498

Total daily turnover 2,608

■ PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Goldsmith)

Gold (Troy oz.)

Close 395.60-394.00

Opening 395.00-394.40

Morning fix 395.35-394.15

Afternoon fix 394.84-394.84

Close 395.20-395.10

Day's Low 395.00-394.85

CURRENCIES AND MONEY

MARKETS REPORT

Dollar trades up

The US dollar rallied in afternoon trading yesterday on a Tokyo news service report that a US-Japan trade deal had been agreed, writes Philip Cogan.

The dollar, which had been trading at around Y98.50 for much of the day, jumped suddenly above Y99 on stories that the Japanese had agreed to as far as Y102/Y103, that would not break it out of its long term trading range.

Mr Neil MacKinnon, chief

they await the outcome of the talks, according to Mr David Cocker, currency analyst at Chemical Bank.

Mr Steve Hannah, head of research at IBJ International, said that if the dollar does break through the Y99 level, it could test Y100. But even if the US currency rebounded as far as Y102/Y103, that would not break it out of its long term trading range.

The dollar then fell back below Y99, after Reuters reported a senior US official as saying there was no procurement deal. The official predicted that the result of the talks would be a partial deal, combined with lighter US sanctions. The US had set yesterday as a deadline for the talks.

Nevertheless, the rumours aroused the currency markets from the lethargy into which they sunk for much of the morning session. "The markets have been like a startled rabbit in the headlights of a car," as

the dollar trading.

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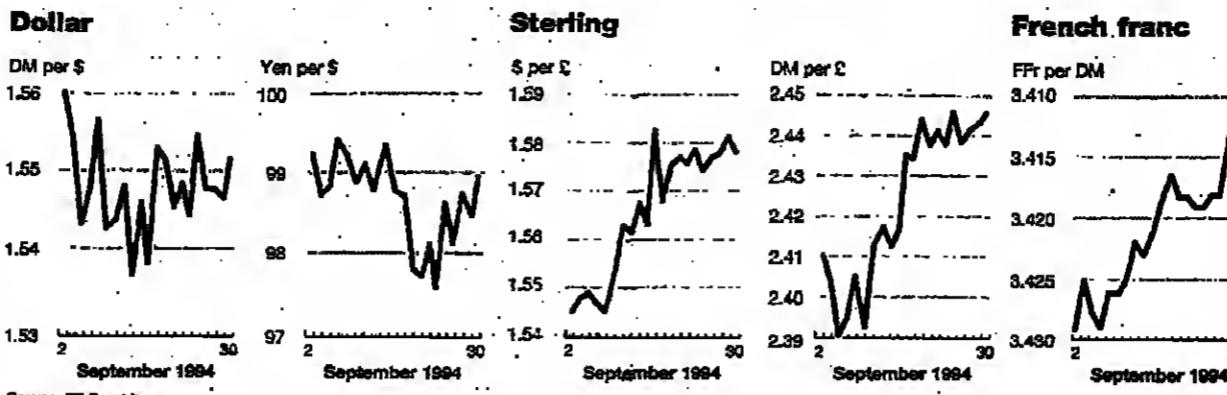
they sunk for much of the

morning session. "The markets

have been like a startled rabbit

in the headlights of a car," as

the dollar trading.



Source: FT Graphs

surplus, the fundamental underpinning of the yen will remain."

By the London close, the dollar was trading at Y98.9700, compared with Y98.5050 on Thursday.

Economic news in the US and Germany seemed to have little effect on the markets. Figures for German industrial production showed a sharper-than-expected monthly fall of 3 per cent in August. "There's been quite a lot of bad news for the D-Mark this week but it

hasn't been affected," said Mr Cocker.

US data was mixed with a strong rise in personal spending in August, but a fall in the price component of the Chicago purchasing managers index. The trade rumours, however, helped the dollar against the D-Mark. It closed in London at DM1.6515, up from DM1.6461 on Thursday.

The UK purchasing managers' index showed signs of a slowing in the future pace of growth and rate of price

increases. But sterling remained on the sidelines, ending the day down against the stronger dollar (at \$1.577 from Thursday's \$1.5810) and up slightly against the D-Mark (at DM2.4468 from Thursday's DM2.4443).

Portugal said it would cut its discount rate from 12 per cent to 10.5 per cent on Monday, but analysts said this was a technical rate which would have little effect on the escudo. The Portuguese currency closed unchanged at Es102/DM.

In the UK money markets, the Bank of England offered £499m of assistance at established rates after forecasting a £800m shortage, revised from an earlier estimate of £700m. Overnight rates moved within the range of 6 per cent to 4 per cent.

■ OTHER CURRENCIES

Sept 30 £ \$

Portug. 171,780 -172,000 180,000

Denmark 1,680 -1,680 1,680

Finland 1,680 -1,680 1,680

Germany 1,680 -1,680 1,680

Greece 1,680 -1,680 1,680

Ireland 1,680 -1,680 1,680

Italy 1,680 -1,680 1,680

Luxembourg 1,680 -1,680 1,680

Netherlands 1,680 -1,680 1,680

Norway 1,680 -1,680 1,680

Portugal 1,680 -1,680 1,680

Spain 1,680 -1,680 1,680

Sweden 1,680 -1,680 1,680

Switzerland 1,680 -1,680 1,680

UK 1,680 -1,680 1,680

Ecu - - -

SDR - - -

America

Argentina 1,680 -1,680 1,680

Brazil 1,680 -1,680 1,680

Canada 1,680 -1,680 1,680

Mexico 1,680 -1,680 1,680

USA 1,680 -1,680 1,680

Pacific/Middle East/Africa

Australia 1,680 -1,680 1,680

Hong Kong 1,680 -1,680 1,680

India 1,680 -1,680 1,680

Japan 1,680 -1,680 1,680

Malaysia 1,680 -1,680 1,680

New Zealand 1,680 -1,680 1,680

Philippines 1,680 -1,680 1,680

Saudi Arabia 1,680 -1,680 1,680

Singapore 1,680 -1,680 1,680

S Africa (Cont.) 1,680 -1,680 1,680

S Africa (Fin.) 1,680 -1,680 1,680

South Africa 1,680 -1,680 1,680

South Korea (Wor) 1,680 -1,680 1,680

Taiwan 1,680 -1,680 1,680

Thailand 1,680 -1,680 1,680

TOP rates for Sep 29. Spot rates for forward rates are only to the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Forward rates calculated by the Bank of England. These average 1993 = 100.000. Côte d'Ivoire and Macau in both the spot and the Dolar Spot rates derived from the WMA SPOT RATE. Some values are rounded by the F.T.

1993 rates for Sep 29. Spot rates for forward rates are only to the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Forward rates calculated by the Bank of England. These average 1993 = 100.000. Côte d'Ivoire and Macau in both the spot and the Dolar Spot rates derived from the WMA SPOT RATE. Some values are rounded by the F.T.

POUND SPOT FORWARD AGAINST THE POUND

Sept 30	Closing mid-point	Change	Bid/offer spread	Day's Mid	One month	One month	Three months	One year	JP Morgan
	on day			high/low	Rate	%PA	Rate	%PA	Bank of
Europe									
Belgium (Bfr)	17,2165	+0.0122	981 - 278	17,2285	17,2142	0.3	17,2023	0.4	114.8
Belgium (Bfr)	50,3279	-0.0074	50,3282 - 50,3285	50,3279	50,3279	0.5	50,2729	0.5	54.8
Denmark (DKr)	9,5678	-0.0028	9,5672 - 9,5674	9,5678	9,5678	0.5	9,5161	0.5	53.2
Finland (Fim)	7,6868	-0.0342	5,665 - 7,6720	7,6720	7,6720	0.5	7,2968	0.5	51.3
France (FFr)	8,3491	+0.0078	444 - 537	8,3545	8,3256	0.3	8,3301	0.2	110.3
Germany (Dm)	2,4468	+0.0028	452 - 483	2,4496	2,4443	0.4	2,4229	0.6	125.7
Greece (Dr)	37,3119	-0.047	865 - 868	37,3286	37,3119	0.5	37,2121	0.1	102.4
Ireland (Eir)	1,24012	-0.18	1,24012 - 1,24012	1,24012	1,24012	0.1	1,24012	0.1	125.4
Italy (L)	24,0212	-0.18	24,0212 - 24,0212	24,0212	24,0212	0.4	24,0212	0.4	75.5
Luxembourg (Lfr)	50,3379	+0.0074	50,3374 - 50,3380	50,3379	50,3379	0.5	50,2723	0.5	54.8
Netherlands (Flr)	2,7405	-0.0028	362 - 417	2,7422	2,7365	0.2	2,7368	0.2	120.5
Norway (Nkr)	16,7047	-0.0046	995 - 10,7121	16,8869	16,7047	0.1	10,7075	0.1	65.6
Portugal (Eur)	2,0232	-0.0223	245 - 248	2,0262	2,0249	0.2	2,0212	0.2	85.7
Spain (Pes)	20,2782	-0.0028	20,2782 - 20,2782	20,2782	20,2782	0.1	20,2658	0.1	125.2
Sweden (Skk)	11,7561	-0.0024	10,7561 - 11,7561	11,7561	11,7561	0.1	11,8236	0.1	75.1
Switzerland (Fr)	2,0309	-0.0023	294 - 322	2,0324	2,0284	1.5	2,0223	1.6	125.8
UK (G)	1,2307	-0.0028	731 - 804	1,2308	1,2273	1.5	1,2301	1.5	79.9
Ecu	-	-	-	-	-	-	-	-	-
SDR	-	-	-	-	-	-	-	-	-
America									
Argentina (Peso)	1,5771	-0.0026	705 - 777	1,5812	1,5768	1.5	1,5768	1.5	-
Brazil (Real)	8,0488	-0.0126	448 - 488	8,0508	8,0348	1.5	8,0348	1.5	-
Canada (Cdn)	2,1153	-0.0078	142 - 164	2,1255	2,1137	0.3	2,1147	0.5	88.2
Mexico (New Pesos)	5,6263	-0.0151	580 - 582	5,6215	5,6215	0.5	5,6215	0.5	82.1
USA (S)	5,5770	-0.0024	785 - 775	5,5817	5,5768	0.3	5,5768	0.3	82.1
Pacific/Middle East/Africa									
Australia (A\$)	2,1311	-0.0024	203 - 203	2,1306	2,1293	0.1	2,1304	0.2	100.0
Hong Kong (HK\$)	12,1858	-0.0025	811 - 814	12,2215	12,1809	0.0	12,1819		

LONDON STOCK EXCHANGE: Dealings

Details of business done below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and as set out through the Stock Exchange Tickerman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Refer to *FT* stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

• Bargains at special prices. • Bargains done the previous day.

British Funds, etc

Thames 103% Gnd Stk 2000/03 - £1214 (275e64)

Exchequer 103% Stk 2005 - £1103 (275e64)

Corporation and County Stocks

BankCity of 111% Red Stk 2006 - £1114 (275e64)

Kensington & Chelsea Royal Borough 111% Gnd Stk 2006 - £1073 (275e64)

Leeds City of 131% Red Stk 2006 - £1293 (275e64)

Manchester City of 115% Red Stk 2007 - £1114 (275e64)

Minsterhouse Corp 1891 3% Red Stk 1941 (after) - £29

Reading Corp 61% Stk 1982 (after) - £21 (275e64)

Reading Corp 61% Stk 1979 (after) - £22 (275e64)

UK Public Boards

Metropolitan Water Metropolitan Water 3% A Stk 2003 - £1024 (275e64)

Port of London 100% Stk 2001 - £1000 (275e64)

Waterfront 100% Stk 2001 - £1000 (275e64)

Foreign Stocks, Bonds, etc. (coupons payable in London)

Abbey National Sterling Capital PLC 3% Gnd Subord Bnd 2004/06 (Br C Var) - £1023 (275e64)

Abbey National Sterling Capital PLC 10% Gnd Subord Bnd 2002 (Br C Var) - £1024 (275e64)

Abbey National Sterling Capital PLC 0% Gnd Subord Bnd 2002 (Br C Var) - £1023 (275e64)

Abbey National Sterling Capital PLC 0% Gnd Subord Bnd 2002 (Br C Var) - £1023 (275e64)

Abbey National Sterling Capital PLC 10% Gnd Subord Bnd 2002 (Br C Var) - £1023 (275e64)

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UNIT TRUSTS

	Mon	Tue	Wed	Thu	Fri	Sat	Sun
ABF Unit Trust Managers Ltd (1000F)	101	102	103	104	105	106	107
ABF Standard Trust Managers Ltd (1000F)	108	109	110	111	112	113	114
ABF Specialised Trust Managers Ltd (1000F)	115	116	117	118	119	120	121
ABF Income & Capital Unit Trust Managers Ltd (1000F)	122	123	124	125	126	127	128
ABF Equity & Income Unit Trust Managers Ltd (1000F)	129	130	131	132	133	134	135
ABF Income & Growth Unit Trust Managers Ltd (1000F)	136	137	138	139	140	141	142
ABF Income & Bond Unit Trust Managers Ltd (1000F)	143	144	145	146	147	148	149
ABF Income & Bond Fund Ltd (1000F)	150	151	152	153	154	155	156
ABF Income & Bond Fund Ltd (1000F)	157	158	159	160	161	162	163
ABF Income & Bond Fund Ltd (1000F)	164	165	166	167	168	169	170
ABF Income & Bond Fund Ltd (1000F)	171	172	173	174	175	176	177
ABF Income & Bond Fund Ltd (1000F)	178	179	180	181	182	183	184
ABF Income & Bond Fund Ltd (1000F)	185	186	187	188	189	190	191
ABF Income & Bond Fund Ltd (1000F)	192	193	194	195	196	197	198
ABF Income & Bond Fund Ltd (1000F)	199	200	201	202	203	204	205
ABF Income & Bond Fund Ltd (1000F)	206	207	208	209	210	211	212
ABF Income & Bond Fund Ltd (1000F)	213	214	215	216	217	218	219
ABF Income & Bond Fund Ltd (1000F)	220	221	222	223	224	225	226
ABF Income & Bond Fund Ltd (1000F)	227	228	229	230	231	232	233
ABF Income & Bond Fund Ltd (1000F)	234	235	236	237	238	239	240
ABF Income & Bond Fund Ltd (1000F)	241	242	243	244	245	246	247
ABF Income & Bond Fund Ltd (1000F)	248	249	250	251	252	253	254
ABF Income & Bond Fund Ltd (1000F)	255	256	257	258	259	260	261
ABF Income & Bond Fund Ltd (1000F)	262	263	264	265	266	267	268
ABF Income & Bond Fund Ltd (1000F)	269	270	271	272	273	274	275
ABF Income & Bond Fund Ltd (1000F)	276	277	278	279	280	281	282
ABF Income & Bond Fund Ltd (1000F)	283	284	285	286	287	288	289
ABF Income & Bond Fund Ltd (1000F)	290	291	292	293	294	295	296
ABF Income & Bond Fund Ltd (1000F)	297	298	299	300	301	302	303
ABF Income & Bond Fund Ltd (1000F)	304	305	306	307	308	309	310
ABF Income & Bond Fund Ltd (1000F)	311	312	313	314	315	316	317
ABF Income & Bond Fund Ltd (1000F)	318	319	320	321	322	323	324
ABF Income & Bond Fund Ltd (1000F)	325	326	327	328	329	330	331
ABF Income & Bond Fund Ltd (1000F)	332	333	334	335	336	337	338
ABF Income & Bond Fund Ltd (1000F)	339	340	341	342	343	344	345
ABF Income & Bond Fund Ltd (1000F)	346	347	348	349	350	351	352
ABF Income & Bond Fund Ltd (1000F)	353	354	355	356	357	358	359
ABF Income & Bond Fund Ltd (1000F)	360	361	362	363	364	365	366
ABF Income & Bond Fund Ltd (1000F)	367	368	369	370	371	372	373
ABF Income & Bond Fund Ltd (1000F)	374	375	376	377	378	379	380
ABF Income & Bond Fund Ltd (1000F)	381	382	383	384	385	386	387
ABF Income & Bond Fund Ltd (1000F)	388	389	390	391	392	393	394
ABF Income & Bond Fund Ltd (1000F)	395	396	397	398	399	400	401
ABF Income & Bond Fund Ltd (1000F)	402	403	404	405	406	407	408
ABF Income & Bond Fund Ltd (1000F)	409	410	411	412	413	414	415
ABF Income & Bond Fund Ltd (1000F)	416	417	418	419	420	421	422
ABF Income & Bond Fund Ltd (1000F)	423	424	425	426	427	428	429
ABF Income & Bond Fund Ltd (1000F)	430	431	432	433	434	435	436
ABF Income & Bond Fund Ltd (1000F)	437	438	439	440	441	442	443
ABF Income & Bond Fund Ltd (1000F)	444	445	446	447	448	449	450
ABF Income & Bond Fund Ltd (1000F)	451	452	453	454	455	456	457
ABF Income & Bond Fund Ltd (1000F)	458	459	460	461	462	463	464
ABF Income & Bond Fund Ltd (1000F)	465	466	467	468	469	470	471
ABF Income & Bond Fund Ltd (1000F)	472	473	474	475	476	477	478
ABF Income & Bond Fund Ltd (1000F)	479	480	481	482	483	484	485
ABF Income & Bond Fund Ltd (1000F)	486	487	488	489	490	491	492
ABF Income & Bond Fund Ltd (1000F)	493	494	495	496	497	498	499
ABF Income & Bond Fund Ltd (1000F)	500	501	502	503	504	505	506
ABF Income & Bond Fund Ltd (1000F)	507	508	509	510	511	512	513
ABF Income & Bond Fund Ltd (1000F)	514	515	516	517	518	519	520
ABF Income & Bond Fund Ltd (1000F)	521	522	523	524	525	526	527
ABF Income & Bond Fund Ltd (1000F)	528	529	530	531	532	533	534
ABF Income & Bond Fund Ltd (1000F)	535	536	537	538	539	540	541
ABF Income & Bond Fund Ltd (1000F)	542	543	544	545	546	547	548
ABF Income & Bond Fund Ltd (1000F)	549	550	551	552	553	554	555
ABF Income & Bond Fund Ltd (1000F)	556	557	558	559	560	561	562
ABF Income & Bond Fund Ltd (1000F)	563	564	565	566	567	568	569
ABF Income & Bond Fund Ltd (1000F)	570	571	572	573	574	575	576
ABF Income & Bond Fund Ltd (1000F)	577	578	579	580	581	582	583
ABF Income & Bond Fund Ltd (1000F)	584	585	586	587	588	589	590
ABF Income & Bond Fund Ltd (1000F)	591	592	593	594	595	596	597
ABF Income & Bond Fund Ltd (1000F)	598	599	600	601	602	603	604
ABF Income & Bond Fund Ltd (1000F)	605	606	607	608	609	610	611
ABF Income & Bond Fund Ltd (1000F)	612	613	614	615	616	617	618
ABF Income & Bond Fund Ltd (1000F)	619	620	621	622	623	624	625
ABF Income & Bond Fund Ltd (1000F)	626	627	628	629	630	631	632
ABF Income & Bond Fund Ltd (1000F)	633	634	635	636	637	638	639
ABF Income & Bond Fund Ltd (1000F)	640	641	642	643	644	645	646
ABF Income & Bond Fund Ltd (1000F)	647	648	649	650	651	652	653
ABF Income & Bond Fund Ltd (1000F)	654	655	656	657	658	659	660
ABF Income & Bond Fund Ltd (1000F)	661	662	663	664	665	666	667
ABF Income & Bond Fund Ltd (1000F)	668	669	670	671	672	673	674
ABF Income & Bond Fund Ltd (1000F)	675	676	677	678	679	680	681
ABF Income & Bond Fund Ltd (1000F)	682	683	684	685	686	687	688
ABF Income & Bond Fund Ltd (1000F)	689	690	691	692	693	694	695
ABF Income & Bond Fund Ltd (1000F)	696	697	698	699	700	701	702
ABF Income & Bond Fund Ltd (1000F)	703	704	705	706	707	708	709
ABF Income & Bond Fund Ltd (1000F)	710	711	712	713	714	715	716
ABF Income & Bond Fund Ltd (1000F)	717	718	719	720	721	722	723
ABF Income & Bond Fund Ltd (1000F)	724	725	726	727	728	729	730
ABF Income & Bond Fund Ltd (1000F)	731	732	733</				

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WORLD STOCK MARKETS

INDICES

Country	1994					1995					1996					1997				
	Sep 30	Sep 29	Sep 28	High	Low	Sep 30	Sep 29	Sep 28	High	Low	Sep 30	Sep 29	Sep 28	High	Low	Sep 30	Sep 29	Sep 28	High	Low
Argentina																				
Central (29/12/77)	10,203.77	10,203.59	23,470.40	16/2	17,755.88	20/4														
Australia																				
All Ordinaries (1/1/90)	2,026.7	2,030.6	2,014.2	2,040.88	3/2	1,987.40	22/8													
All Mining (1/1/90)	1074.6	1072.8	1086.1	1136.10	3/2	904.80	5/5													
Austria																				
Credit Aldian (30/7/94)	308.84	400.12	402.25	400.88	2/2	387.88	27/9													
Traded Index (2/1/91)	1070.13	1072.25	1081.42	1222.25	1/2	1061.38	6/6													
Belgium																				
BEL 20 (1/9/91)	1376.11	1377.31	1386.47	1542.85	9/2	1376.11	30/9													
Brazil																				
Bovespa (29/12/93)	10,544.86	10,527.10	10,551.00	10,593.00	13/9	10,501.80	3/1													
Canada																				
Metals Miners (1/7/93)	10,414.85	14,810.16	4,256.58	19/9	3,288.08	20/4														
Composite (1/7/93)	10,4362.10	14,372.50	4,008.90	23/3	3,668.80	24/6														
Portfolio 55 (4/7/93)	10,4207.79	10,808.36	21,628.89	11/2	10,686.48	25/6														
Chile																				
IGCA Gen (31/12/90)	10,5036.6	5018.1	5030.80	29/9	3,801.30	4/4														
Denmark																				
Copenhagen S&P (1/5/93)	346.01	348.33	349.07	418.79	2/2	348.33	29/9													
Finland																				
HEX General (22/1/90)	1,888.0	1,882.5	1,885.4	1,972.00	4/2	1,881.30	3/1													
France																				
S&P 250 (1/1/90)	1,267.96	1,262.98	1,279.66	1,385.20	2/2	1,282.86	29/9													
CAC 40 (31/1/97)	1,878.25	1,876.18	1,904.35	2,235.83	2/2	1,888.18	4/7													
Germany																				
FAZ Allgen (31/1/95)	784.22	773.97	781.80	888.27	18/5	787.81	27/8													
Commerzbank (1/1/93)	2,117.20	2,023.80	2,227.2	2,465.50	2/5	2,148.30	27/8													
DAX (30/12/97)	20,111.75	20,433.38	20,811.11	22,711.11	18/5	19,882.82	20/6													
Greece																				
Athens S&P (31/12/90)	801.56	848.24	841.71	1,194.58	18/1	808.57	25/5													
Hong Kong																				
Heng Seng (31/7/94)	9,921.24	9,700.21	9,983.49	12,281.09	4/1	9,588.44	4/5													
India																				
BSE Sens (1/7/93)	4,261.08	4,358.30	4,405.49	4,971.88	27/9	3,464.00	8/1													
Indonesia																				
Jakarta Comp (10/6/92)	487.97	487.24	502.13	812.88	5/1	446.72	12/7													
Mexico																				
IPC (Nov 1974)	10,271.51	2,764.82	2,891.17	8/2	1,657.33	20/4														
Netherlands																				
CBS Total Gen (End 83)	429.1	430.0	430.7	494.90	31/1	408.30	21/5													
CBS All Shr (End 83)	288.5	270.1	270.5	294.80	31/1	257.80	21/8													
New Zealand																				
Cap. 40 (17/7/95)	2,068.3	2,072.56	2,068.80	2,428.84	3/2	1,945.51	11/7													
Philippines																				
Merits Corp (21/6/93)	2,308.24	2,307.98	2,577.89	3,088.37	4/1	2,507.33	9/3													
Portugal																				
STX (1977)	2,882.9	2,900.6	2,891.7	3,228.86	15/2	2,812.86	20/8													
Singapore																				
S&S All-Sports (24/7/93)	572.05	577.21	574.41	841.81	4/1	522.29	4/4													
South Africa																				
NYSE Comp.	255.15	258.37	254.57	267.71	2/1	263.14	267.71													
NYSE Ind.	457.42	550.16	548.92	588.85	21/05	588.83	3/2													
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• Set Sep 24: Taiwan Weighted Price 8822.02; Korea Composite 1097.41. Base values of all indices are 100 except: Australia All Ordinaries and Mining - 500; Austria Traded, BEL20, HEX Gen., MTS Gen., SBF200, CAC40, Euro Top-100, ISXO Overall; Toronto Comp./Metals and Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE SO Industrials - 204.3; NYSE All Common - 80 and Standard and Poor's - 10.5; Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ♦ IBIS/DAX after-hours Index: Sep 33 - 2002.30 - 15.78

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WORLD STOCK MARKETS

AMERICA

Window dressing takes Dow higher

Wall Street

US stocks made progress as institutional investors adjusted their portfolios on the last day of the third quarter, writes Frank McGurty in New York.

By 1pm, the Dow Jones Industrial Average was up 14.46 better at 3,663.09, while the more broadly based Standard & Poor's 500 was up 2.64 at 464.77. In the secondary markets, the American SE composite was 1.08 ahead at 457.65 while the Nasdaq composite added 3.48 to 762.92.

Volume on the Big Board was moderate, with 168m shares traded by early afternoon. Advancing issues held a five-to-four margin on declines.

The day's main economic news provided a favourable

background for fund managers to put "window-dressing" on their positions going into the final three months of the year. The activity tended to favour stocks which have performed well over the third quarter.

The monthly survey of Chicago purchasing managers showed fewer manufacturers were paying higher prices this month than last, reversing the recent trend. With the financial markets on alert for tightening of monetary policy, the development lifted bonds during the morning, and buoyed sentiment in the stock market.

An earlier report set up no obstacles. The Commerce Department said that personal income last month had risen by 0.4 per cent, and consumption by 0.8 per cent. Both readings were in line with fore-

casts. But any enthusiasm was tempered by conflicting reports on progress achieved by US and Japanese trade negotiators, with the deadline for completing the talks approaching.

The Dow opened in negative territory but quickly scrambled to the plus side. Philip Morris was in particular favour, climbing \$1.76 to \$61 on reports that the company was negotiating the sale of its Kraft food-service business.

Among the cyclicals, Caterpillar advanced \$1 to \$55, while 3M tacked on \$3 to \$55. Deere forged \$1.46 ahead to \$69.29.

Chrysler jumped \$1.46 to \$45.7. The cash-rich automaker had revealed plans to increase its capital spending over the next five years.

General Motors added \$1 to an expected earnings shortfall.

On the Nasdaq, technology stocks were generally stronger, though most issues did not stray too far from their opening values. Among the best performers were Parametric Technology, up \$1.76 to \$32.85; DSC Communications, up \$1.16 ahead at \$28.49; and Informix, up \$1.16 better at \$27.

General Motors added \$1 to an expected earnings shortfall.

Canada

Toronto recouped some earlier losses, but the TSE-300 composite index was 4.38 lower at 4,357.67 at 1pm in volume of 28.5m shares. Among active issues, Sociobank was up 6.3% higher at C\$26.4% and Bank of Montreal dipped C\$1.22 to C\$22.22.

Brazil

Sao Paulo rose 1.1 per cent in heavy trade as investors remained optimistic that the former economy minister, Mr Fernando Henrique Cardoso, would win Monday's presidential election. The Bovespa index rose 1.131 at 55,537 at 1:30 local time in volume of R\$263.8m (\$308.7m).

Eerie parallels as Dow moves into October

Frank McGurty is struck by similarities with 1987

With the seventh anniversary of Black Monday less than a month away, at least one influential Wall Street pundit is struck by the similarities between the autumn investment environments of 1987 and 1994.

Throughout the late summer, when the bull market appeared to have regained its vigour, Mr David Shulman was steadfast in his prediction that stocks would complete a 10 to 12 per cent correction which began in February. The Salomon Brothers analyst now is more convinced than ever, with the spectre of higher interest rates pulling share prices off their September highs.

The parallels he draws are eerie. The economy is strong; the dollar weak. After a springtime plunge, the Treasury market slumped anew last month. With bond yields climbing, dividend yields are still well below their historical levels. Meanwhile, mergers and acquisitions are propelling up share prices in a range of sectors.

These forces as they were leading up to October 19, 1987, that fateful Monday when the Dow selling scythed 508 points, or 22.6 per cent, off the Dow Jones Industrial Average.

Mr Shulman observes that seven years ago "there was insufficient capital simultaneously to fund a global bull market and an economic expansion. The tension was resolved by a capitulation in the financial markets."

Chemicals were weak, with Akzo Nohal down F1.80 at F120.10 and DSM, after two days of briefing analysts, losing F1.40 at F1.47.50.

Written and edited by William Cochrane and Michael Morgan

tions as the fourth quarter gets three times greater than in August.

Why did the little guy start to shy away from equities? "The year-long rise in interest rates, both long and short-term, has changed the valuation backdrop substantially," explains Mr William Dodge, chief strategist at Dean Witter Reynolds.

The spread between bond yields - which determine the return on money market funds - and the expected return on stocks has simply grown too wide, he argues. Bond yields have surged over the past nine months, while stock values have stalled, at best. The average retiree can no longer bank on a steady rise in share prices to offset dividend yields which remain stubbornly below 3 per cent.

In all likelihood, the gulf will get worse before it gets better, making stocks less attractive. Bond yields are driven by monetary policy, and by all accounts the Federal Reserve is poised to tighten credit conditions as soon as its chairman, Mr Alan Greenspan, sees a few more signs that the economy is growing at an unmanageable pace.

That was the message which Wall Street gleaned last Tuesday from the elliptical statement which was issued after the Fed's policy-making arm adjourned its regular meeting without sanctioning an immediate rate hike.

Most analysts had expected the central bank to hold its fire, perhaps until after the November congressional elections. Still, in the fortnight before the meeting, the Dow Jones Industrial Index had pedalled about 100 points on the growing sense that rates would have to go a lot higher before they could come down again. "The only way out is for the economy to slow," says Mr Dodge.

October is traditionally a volatile month on Wall Street, as investors react to the torrent of third-quarter results released by US companies. This year, the ride is likely to be even bumpier than usual.

EUROPE

Zurich preoccupied with Swiss Re and UBS

Senior hours came cautiously, and in some cases uncomfortably, to the end of a doubt-filled week, writes Our Market Staff.

ZURICH was lower in heavy volume, with attention dominated by developments at Swiss Re and at UBS, which is heading for a showdown over control with Mr Martin Ebner and BZ Bank. The SMI index fell 23.6 to 2,534.4 taking the week's fall to 2.9 per cent.

UBS bearers finished SF15 lower at SF11.200 and the registered stock lost SF21 to SF14.30 after the bank's announcement late on Thursday that it planned to create a single bearer share to curb the power of predators.

BK Vision, the investment company controlled by BZ Bank, fell SF150 to SF11.400.

Some analysts suggested that falls in Roche certificates, SF195 lower at SF15.75, Zurich Insurance, SF151 at SF17.170, and Ems-Chemie, SF100 at SF14.000, could be attributed to expectations that Mr Ebner might soon reduce his stakes in these companies to raise cash for the UBS battle.

However, others noted switching from Zurich Insurance into Swiss Re on the sale of its direct insurance holdings to Allianz of Germany and

Winterthur, and plans to concentrate on reinsurance. Swiss Re, rewarded by analysts with earnings upgrades, rose SF149 to SF162.60 but Winterthur dived SF15 to SF165.

FRANKFURT, closed its day on Thursday with a post-bourse losses during the session. But it ran into more trouble in the afternoon when the Ibov indicated Dax index hit 1,984.65 before recovering to close 1,978 lower over 24 hours at 2,002.30, down by 4.43 per cent on the week.

Turnover rose again, from DM6.7bn to DM7.6bn, and brokers were beginning to put some credence behind the stories of US selling. Mr Hans Peter Wodniok, at Robert Fleming in Frankfurt, said that there were strong indications of US selling on worries that the FDP, or German liberal party, may lose its place in this

month's polls, and that a red/green coalition could take over from the current combination of conservatives and liberals.

At corporate level, Allianz dropped DM70 to DM2,240 following its direct insurance acquisitions from Swiss Re. BMW recovered DM18.50 to DM73.50 after Thursday's 5.2 per cent drop following the recall of 57,000 325i models in the week.

At Merck Finck in Dusseldorf, Mr Eckhard Frahm's check on monthly performance of the Dax constituent put a clutch of defensive stocks at the top of the defensive charts.

Schering (recovering from worries about its product lines), Karstadt, RWE, Dresdner Bank and Vigea.

Over nine months, the outperformers were cyclicals: BMW, Lufthansa, Hoechst, Thyssen and Preussag, most of which came in for selling over

the past two days. PARIS threatened its 1984 low, the CAC-40 index bottoming at 1,855.52 before recovering to close 3.07 higher at 1,879.25, off 2.2 per cent on the week, in turnover of FFr1.6bn.

Alcatel stabilised after Thursday's horrors, closing a token 60 cents higher at FFr429.30. The market liked the results from Paribas, Saint Louis and Peugeot, which rose by 1.7% to 1.9%.

MILAN finished lower as some disappointing interim results added to worries that the budget could face a humpy passage through parliament. The Comit index fell 11.20 or 1.6 per cent to 679.77 but was still 1.6 per cent higher over the week.

Chemicals were weak, with Alko Nohel down F1.80 at F120.10 and DSM, after two days of briefing analysts, losing F1.40 at F1.47.50.

Written and edited by William Cochrane and Michael Morgan

ASIA PACIFIC

Foreign sales push Hong Kong down 1.9%

Tokyo

With most of the profit-taking for the interim book closing out of the way, corporate and banking investors remained inactive and the Nikkei index closed marginally lower after fluctuating within a narrow range, writes Emiko Terazono in Tokyo.

The index closed down 51.31 at 19,583.81 after a high of 19,719.04 and a low of 18,519.70. Small lot buying by public pension and postal funds supported share prices in the morning, but arbitrage unwindings and selling by dealers eroded the gains.

Volume totalled 223m shares against 233m. The Topix index of all first section stocks gained 0.62 to 1,576.89 while the Nikkei 300 fell 0.30 to 288.33. Advances led declines by 518 to 224 unchanged and, in London, the US/Nikkei 50 index rose 1.89 to 1,287.32.

Traders said that dealers and most investors were cautious of carrying positions over the weekend due to the uncertainty over the course of the US-Japan framework talks on trade.

Car companies were stronger on hopes of strong car sales figures, due to be released on Monday. Suzuki Motor rose Y30 to Y1,200 and Nissan Motor gained Y15 to Y300.

Steel stocks were traded actively. Nippon Steel, the most active issue of the day, fell Y2 to Y390 and NKK remained unchanged at Y292.

Speculative stocks fell on profit taking. Tsumura, a drug maker, lost Y30 to Y1,190 and Sumitomo Coal Mining declined Y21 to Y705.

Tokyo Style, a leading apparel maker, retreated Y150 to Y1,770 on reports that its interim operating profits fell by 13 per cent.

In Osaka, the OSE average fell 5.30 to 21,985.13 in volume of 29.5m shares.

Roundup

HONG KONG fell 1.9 per cent, responding to the depressed tone of some overseas markets and weakness in local property company shares. The Hang Seng index lost 178.97 to 9,521.24, after briefly dipping below 9,500, in turnover that rose to HK\$4.1bn from Thursday's HK\$3.67bn. The index

was 1.2 per cent lower on the week.

Analysts said that European funds were sellers at the start of their business day following Wall Street's slide overnight, and a low sale price of some local flats also hurt sentiment.

Chungking tumbled HK\$1.10 to HK\$7.60. Sun Hung Kai dropped HK\$1.50 to HK\$7.50 and Henderson Land lost 80 cents to HK\$4.48.

TAIPEI edged back as the market consolidated after setting a four year high on Thursday. The weighted index was 10.00 lower at 7,191.13, for a 3.8 per cent rise on the week.

Financials that led the week's saw the heaviest selling. Hwa Nan, Chang Hwa and First Commercial banks each lost T\$5 to T\$227, T\$208 and T\$205 respectively.

Steel, however, posted gains on reports that a steel factory in South Korea had been shut because of fire. China Steel climbed 40 cents to T\$27.8 and Kao Hsing Chang was up 80 cents to T\$25.

SINGAPORE was broadly easier on a day marked by profit-taking and book-squaring ahead of the end of the corporate quarter. The Straits Times Industrial index ended 16.28 up to 2,908.40, for a 1.7 per cent fall on the week. PLDT rose 5.20 cents or 3.4 per cent to 151.50.

SEOUL picked up in active trade after two days of consolidation on the continuing recovery of PLDT, bargain hunting among blue chips and the peso's fall against the dollar.

The composite index closed 16.28 up to 2,908.40, for a 1.7 per cent fall on the week. PLDT rose 5.20 cents or 3.4 per cent to 151.50.

Specs, however, posted gains on reports that a steel factory in South Korea had been shut because of fire. China Steel climbed 40 cents to T\$27.8 and Kao Hsing Chang was up 80 cents to T\$25.

BOMBAY was lower on sustained selling pressure and the BSE 30 share index lost 53.82 to 4,304.48 for a 1.7 per cent fall on the week.

Financials that led the week's saw the heaviest selling. Hulman & Bruns, the supermarket chain, fell 1.25 to 1,150.50 and Bajaj Finance lost 1.25 to 1,150.50.

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FINANCIAL TIMES

Weekend October 1/October 2 1994



Chairman says car group will return to profit

Fiat merger creates top European parts maker

By Andrew Hill in Milan

Fiat, the Italian car and industrial holding company, announced yesterday that it would merge Magneti Marelli and Gilardini, its components subsidiaries, to create a company with a turnover of £5,000m (£206bn) which will become one of Europe's top three manufacturers of car parts.

At the same time, Mr Giovanni Agnelli, Fiat's chairman, forecast that Fiat group's consolidated gross profit for the full year could reach \$1bn (£600m).

"The gross consolidated profit will be between £1,000m and \$1bn. I leave you to work out the exchange rate," he said after the board meeting of IRI, the family holding company.

Last year, Fiat recorded a record loss of £1,783m after tax, and decided not to pay a dividend on ordinary shares for the first time since 1947.

Magneti Marelli will absorb Gilardini, through an issue of new Gilardini shares reserved for Magneti Marelli's shareholders. Gilardini will then complete the

process, which has already begun, of transferring its non-car activities to other companies within the Fiat group.

The deal amounts to the biggest rationalisation of Fiat's activities since the group sold its holding in Italian retailer La Rinascente a year ago as part of a complex capital-raising exercise. But where that deal was part of a concerted effort to pull out of the trough of recession, yesterday's announcement came the day after Fiat confirmed it was on the road to recovery with the opening of a first-half profit of £727m before tax.

Mr Agnelli warned that although "the worst is passed, [the situation] is still difficult, and one shouldn't think that everything is resolved. The auto [division] in spite of everything will still have slight losses". He added: "It's still too early to say if there will be dividends on Fiat ordinary shares."

Fiat owns some 60 per cent of Magneti Marelli and 70 per cent of Gilardini, but the rest of the stock is quoted in Milan. Both component companies' shares

were suspended yesterday before the announcement of the merger was made. Fiat's shares, which have been among the Milan market's strongest performers in recent weeks, fell to £6.731, against an opening price of £6.669.

Under the terms of the deal, Magneti Marelli shareholders will receive two new Gilardini shares for every six Magneti Marelli shares held.

The deal will be put to shareholders of the two companies on November 14 or 15.

Fiat stressed yesterday that

there would be no job losses at the combined group, which will employ 23,000 people. According to a joint statement issued by the two component companies, the enlarged Magneti Marelli will be the market leader in Europe for dashboard instruments, and number two for fuel injection systems, headlights and rear-view mirrors. Europe's other main components manufacturers are Bosch and Mannesmann of Germany, and Valeo of France – part of Mr Carlo De Benedetti's Ceres group.

General bad debt provisions backed by bank supervisor

By John Gapper in Madrid

A leading international banking supervisor yesterday endorsed plans by banks to even out the swings in their reported profits caused by sharp rises in provisions against bad and doubtful debts during recessions.

Mr Brian Quinn, executive director for financial stability at the Bank of England, said banks should consider smoothing their profits by making consistent provisions against loans in line with likely rates of default.

Barclays is among banks working on plans to make general provisions against corporate loans at the time they are made, rather than waiting for signs that borrowers are in danger of defaulting.

Mr Quinn's endorsement at a Financial Times conference on international banking in Madrid yesterday is the strongest public backing given to the idea by a supervisor.

He said that banks should consider "smoothing out the differences between reported and actual profits over the life of the loan book", or alternatively recalculating capital ratios internally to reflect likely bad debts.

Mr Martin Taylor, Barclays' chief executive, had argued that banks had mis-reported profits during the late 1980s because they took into earnings income from loans which they later had to write off in the recession.

UK banks have been discouraged from making large general provisions against future bad debts because such provisions – unlike specific provisions against troubled loans – do not attract favourable tax treatment.

Banks would find a more stable pattern of profits attractive, even if the peaks in profitability were lowered, as shareholders would regard bank earnings as of higher quality and consistency.

Mr Quinn said that greater stability through anti-inflationary

fiscal policy could lower banks' risks, and cost of capital, but he could not assume that banks "will not find other ways of digging holes for themselves".

Speaking at the conference, Mr Eugene Ludwig, US Comptroller of the Currency, said it was still hard to estimate the true value of banks' financial derivatives in times of market turbulence.

Mr Ludwig said that internal computer models, on which banks rely to value derivatives such as swaps and options, often make different estimates of the values of complex instruments when markets change suddenly.

He said that, since such valuation requires great mathematical sophistication, "disagreement about the value of exotic derivatives after an unanticipated market change can be significant". Banks have grown increasingly reliant on computer models to assess the value of derivatives.

Chief calls for rethink, Page 9

Video on end of Thatcher era

Continued from Page 1

last night after the Finnish-based Silja Line said it would only load the ship by its aft doors until repairs had been carried out.

"The door is not unsafe. It is not a visor-type bow like the Estonia and it is tightly sealed," said Mr Harri Kulovara, Silja Line's head of operations.

Parliamentary Films, which produced both the Thatcher and Benn videos, said he had considered Mr Dennis Skinner, outspoken Labour MP for Bolsover, as a subject. But he felt it would take too long to watch the miles of available footage to find enough

funny moments for the video. It is far from certain how large the market is for these videos, especially for those on debates. Parliamentary Films has experimented with pilot films on the election of the speaker of the House and the wild mammals protection bill. The company's optimism that these obscure titles would go down well in schools has not been borne out.

"There was not much public enthusiasm for them," said Mr Frater, a former communist from South Africa who now describes himself as "more left than right".

By contrast, 3,000 people had paid £12.95 for the Benn video, which he said was "not bad going".

India steps up efforts to tackle plague

By Clive Cookson in London and Stefan Wagstyl in New Delhi

Indian authorities yesterday

stepped up efforts to stop the spread of pneumonic plague, while struggling to contain the economic threat posed by the growing number of overseas travel restrictions.

The disease claimed the lives of

two people in the capital, Delhi,

yesterday – the first reported

deaths outside the western city of

Surat where plague broke out

last week. The deaths pushed the

official death toll to more than

50, while the number of sus-

pected plague cases rose to 2,500.

Meanwhile, officials in the cap-

ital moved to close all schools

and cinemas to prevent the

plague bacteria spreading – and

advised residents to cover their

faces with masks or handker-

chiefs in crowded places.

The authorities' efforts have so

far failed to reassure overseas

governments and visitors. KLM,

the Dutch airline, said that 25-30

per cent of tourists who had

planned to travel to India by

KLM this week and next had

called off their trips.

In the UK, Thomson, the larg-

est holiday company, cancelled

its Indian tours scheduled for

the first two weeks of October. Beach

holidays in Goa would go ahead,

although people who decided to

cancel would receive full refunds.

The move comes as many Asian

and Middle Eastern governments

banned all flights to and from

India, and several European

states imposed new medical

checks on passengers arriving

from the country.

The UK health department said

its plague surveillance system

had identified eight people showing

flu-like symptoms "who may be infected". But the Communicable Diseases Surveillance Centre said later that medical tests had cleared seven of them, while the eighth was unlikely to have

the plague.

Dr Kenneth Calman, Britain's

chief medical officer, said the

system would pick up more suspect

cases. "Should any cases be con-

firmed, they will be treated effec-

tively with routinely available

antibiotics," he said.

Mr Manmohan Singh, the

Indian finance minister who is

visiting London, attacked coun-

tries that had imposed travel and

trade restrictions on India.

He said that, since such valua-

tion requires great mathematical

sophistication, "disagreement

about the value of exotic deriva-

tives after an unanticipated

market change can be significant".

Banks have grown increasingly

reliant on computer models to

assess the value of derivatives.

UK Insurance

Consumers are unlikely to feel

the new 2.5 per cent tax on insurance

premiums which takes effect today. Premiums on some personal lines have

fallen by between 5 per cent and 25 per

cent since the cyclical peak last year.

Given intensely competitive

conditions in the industry, the pressure on

rates is still downwards and insurance

companies will have to absorb the tax

themselves. Favourable claims experience in sectors such as theft, weather and fire insurance over the past 2½ years will also put pressure on insurers to reduce rates further.

Fears about the sustainability

of insurers' income have been the chief

factor behind the under-performance

of the insurance sector during the past

two years.

None of this means a deal will be

clinched. The two companies could

easily fall out over how much VSEL

is worth. And it is possible GEC may

wade in and spoil the party. That,

though, looks unlikely. GEC still has

ambitions to take a bigger slice of the

UK defence industry. But its main tar-

get remains BAe, not VSEL.

BAe/VSEL

A takeover of VSEL by British Aero-

space, currently under discussion,

would make industrial sense. VSEL's

capacity to thrive as an independent

warship manufacturer is limited. Its

future hangs on winning the Royal

Naval's £2.5bn contract to build the

next batch of Trafalgar submarines.

But it will have a hard job convincing

the Ministry of Defence that it is large

enough to bear the risks of a fixed-

price contract. BAe would provide

VSEL with the necessary size. Its

international reach should also help in

marketing VSEL's products overseas.

A takeover would fit in with BAe's

ambitions to extend its role as a

military contractor from aviation to naval

projects. So far, it has only a small

position in naval systems. But the

skills it has developed in managing



Weekend FT

SECTION II

Weekend October 1/October 2 1994



Wanted: wonder of the age

The countdown has started. In just over five years the world will be celebrating, well, the party of the millennium. And if new year's eve 1999 does not go off with a suitable sonic bang, pedants, who know that the third millennium starts at midnight on January 1 2001 can have a second crack a year later.

The British government is among the purists. Its millennium celebrations climax at the end of the year 2000. And it is going to be some junctet: it has set aside a possible £1.6bn to make sure that it is an event that will be remembered for at least the next century. The joy of it all is that, in theory, not a penny of the cost will be paid for by the government - or the taxpayer. It is coming from that seemingly inexhaustible milk cow, the National Lottery.

The lottery is one of John Major's footnotes in history. Margaret Thatcher, the former premier, was implacably opposed to government sponsored gambling: it disturbed her non-conformist soul. Major quickly recognised the insanity of the UK being the only developed nation without a lottery and gave the go-ahead. He has proved a reliable friend. Only last month he confirmed his support. "The money raised by the lottery will not replace existing government funding - Treasury, please note."

But if John Major is midwife to the lottery, Lord Palumbo, when chairman of the Arts Council, is given credit for dreaming up the idea that a fifth of all the money raised for good causes from the lot-

tery should go into a millennium fund. His main concern was patching up the great national monuments, especially the cathedrals and grand mansions, as the tired old century came to a close, in time for a fresh start in the new millennium.

The concept soon developed a momentum of its own and until the end of 2000 the millennium fund will be a power in the land. Then the other lottery beneficiaries - the arts, the heritage, sport and charities - will subsume its portion, and all that will be left is its legacy.

Just as the millennium fund arrived rather suddenly from

sington museums, and its dim echo, the 1951 Festival of Britain, which bequeathed the little loved South Bank arts centre.

A few certainties about the millennium are emerging through the haze. Undoubtedly, there will be some grandiose building projects but not nearly as many as first envisaged, at least by the directors of our great museums and galleries. Around half the millennium's cash will go on a dozen enduring monuments, fairly spread across the country. The other half will be spent on more transitory feel-good experiences which, ideally, would

refurbishment of existing buildings, like the British Museum's £100m plan to enclose its inner court yard: perhaps the National Heritage Fund could help here.

The millennium fund ideally wants new buildings, and mind-expanding ones at that, something on the lines of the Crystal Palace of 1851 or its pipesqueak 1951 successor, the Skyline. It is unwilling to provide money when there are already established institutions which exist to help. But it will provide endowment funds, so that anything really innovative that emerges does not have to struggle to survive. Who

Now is the time for all good citizens to come to the aid of the (millennium) party. But only mind-blowing ideas will do, says Antony Thorncroft

nowhere so it carries little baggage. There has been only one attempt to define its objectives - by Peter Brooke, the former Heritage Secretary, who guided the lottery on to the statute book. His vision was warming but woolly.

"Our millennium projects are probably going to be those that would not otherwise happen."

"Above all, the millennium commission's legacy should form a permanent enhancement of our national heritage."

"We should seek to capture the spirit of our age in enduring landmarks that symbolise our hopes for the future."

He took as his benchmark the Great Exhibition of 1851, which bequeathed such memorials as the Crystal Palace and the South Ken-

directly affect the lives of as many people as possible.

The capital projects are up and running, at least in blueprint, before the first lottery ticket has been sold (in November) and the first donations to a good cause made, probably next June. It is already apparent that some highly fancied schemes will be turned down by the millennium fund commissioners, a nine-strong band of the Great and the Good.

They are not inclined to help Covent Garden in its £100m rebuilding appeal: that is a decision for the Arts Council lottery staff. They are unimpressed by a proposal for a great national sports stadium in Manchester: that is for the Sports Council to consider. They are worried by schemes that involve the

UK might have the finest equipped rock stadium in the world in five years, or a technology museum which places foreign science parks back in the Dark Ages.

It is hard to find current projects which are copper-bottomed certainties for millennium aid. For example, Cardiff Opera House is a strong candidate. Wales must have one big millennium building, geography dictates that Wales is the land of song; Cardiff Bay is trying to regenerate itself; and the local arts mafia has got its act so organised that it has already chosen an architect, Zaha Hadid, on the basis of her challenging design.

The only doubt over Cardiff Opera House is not that the proposed gigantic glass building will appear too 20th century modernist,

The Weekend FT offers a case of Laurent Perrier pink champagne for the best suggestion on how to spend the millennium money. Send your ideas to: Millennium competition, Weekend FT, 101 Southwark Bridge, London SE1 9HL. Please send your ideas to: Millennium competition, Weekend FT, 101 Southwark Bridge, London SE1 9HL.

and therefore dated, for the commissioners, but that they decide that the Welsh Office, or the local council, or commercial developers, are already in place to fund such a development. Who is to say that opera houses might not be old hat in the 21st century?

Another strong contender is the South Bank Centre in London. It has asked Richard Rogers, one of the most fashionable architects of the day, to come up with ideas and has proposed a semi-transparent umbrella to cover the existing faded buildings. A nationally sensitive site, with memories of past celebrations; a big name architect plus the opportunity to hold the millennium festival there, that the commissioners might think essential to celebrate the big year - the South Bank looks a good bet.

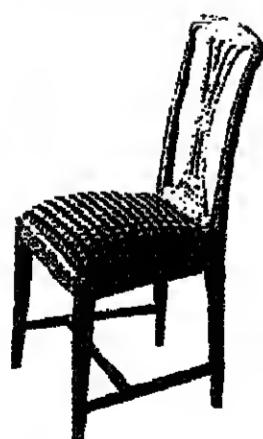
As does the Tate Gallery of Modern Art on Banksy. Perhaps it is too near the South Bank for comfort, but the UK lacks a national gallery of modern art and we are supposed to be looking forward to 2000. This may enable the commissioners to forget that the Tate is planning to move into an existing building, the old Banksy power station, much of which will be retained. The fact that the Tate has been quick off the mark, and is likely to be able to raise perhaps half the £20m needed from its own resources, may sway the commissioners, who expect big projects to conjure up some matching funding.

None of these buildings, currently the fancied runners, really lift the imagination. It is hard to think that

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The Long View / Barry Riley

Global growing pains

Living on the never-never has become expensive. This week, Britain's government paid an interest rate of 8.9 per cent when it auctioned its latest £2bn issue of 10-year gilt-edged bonds. At the present inflation rate, the borrowing cost in real terms is 6% per cent.

No wonder share prices have been flagging in the face of such determined and price-insensitive competition for savings: the stock market has just tottered to the end of a grim September in which the FTSE 100 index has lost 8 per cent. Yet, this is not a specially British problem. The key US long Treasury bond yield has crashed through a resistance point and is nearing 8 per cent. In various parts of the globe, big mistakes are being made by governments and by investors.

First, however, the good news. As the latest IMF *World Economic Outlook* makes clear, the global economy is looking quite vigorous. The industrial countries will grow at 2.7 per cent this year and the developing countries at 6 per cent - with the emphasis on Asia, where the pace is around 8 per cent. Next year, with eastern Europe also pulling round, the global economy is set to expand by 3.6 per cent, which would make it the best year since 1988.

Such a strong revival is a notable achievement, given the severity of the debt crisis that has affected so many countries. The recent recession was mild in comparison with the depressions which have plagued the global economy periodically in the distant past. Governments have been successful in preventing the kind of financial collapse which led to the slump of the 1930s - but the debt, instead of being wiped out, lives on.

Private sector balance sheets often remain stretched; this is the reason why the British housing market is dead in the water. Very often, too, private debts have simply been transformed into public sector liabilities. Saving the

Swedish banking system has undermined the Swedish government's own creditworthiness. Too many governments have assumed they can tap an unlimited pool of global savings, permitting them to run deficits which cannot be financed out of domestic savings. They still have no sense of urgency.

Last year, speculative buying of bonds by banks and hedge funds, financed by cheap credit created by the US Federal Reserve, concealed the problem. But that game ended abruptly last February and now Japan, the dominant source of global savings, has been exposed as an untrustworthy link in the global financial chain. In 1987, the time of the "wall of money", the Japanese bought \$137bn of long-term securities, mostly dollar bonds. Up to July this year, the corresponding total was only a net \$38bn.

The Japanese government's support of a fundamentally insolvent and notoriously opaque financial system has prevented an economic slump. But this has allowed Japanese industry to go on pumping out goods at a loss, and has generated a huge trade surplus and matching currency bubble. Foreign currency losses incurred by Japanese investors in the recent past have frightened them off investing overseas. But they are now missing a golden opportunity to buy cheap bonds issued by over-stretched western governments.

Instead, they are sitting on domestic assets while liquidity accumulates in Japan from a trade surplus running at some \$130bn a year. This has to flow out somehow through the capital account; in fact it is largely being recycled through central bank intervention, but into short-term money market-type assets rather than bonds. Hence this year's apparent "shortage" of long-term capital.

The optimistic view would be that higher taxes, falling government deficits and moderate economic growth will allow the imbalances to be corrected over several years. Perhaps the rapid growth in the developing world will, nevertheless, keep the real cost of capi-

tal relatively high. But if the Japanese institutions buy foreign bonds again on a large scale, the value of the yen will come tumbling down and the log-jam will have been broken, to everyone's satisfaction.

Alternatively, there is the disaster scenario that bond yields continue to climb and central banks go on misinterpreting this trend as reflecting fears of inflation. Higher interest rates will slow down the western economies, causing budget deficits to widen again. The eventual result will be a global breakdown of financial confidence.

To most people, the spectacle of market screens bathed in red while the global economy is growing healthily is simply illustrative of financial hysteria. But the markets reflect accurately the submerged financial pressures.

A fundamental message for western governments is that the budget deficits which they assumed would stimulate their economies will have the reverse effect if they cannot be financed out of savings. In the UK, this boils down to the choices facing pension funds, which are the country's largest savings institutions but have very little new cash coming in. If they buy government bonds, they will have to sell equities. Thus will the private sector of the economy be crowded out. Governments should reduce their deficits and bring down interest rates.

Higher short-term interest rates may actually make it more difficult for governments to sell their bonds: this has become evident in the US, for instance, where short-term savings deposits are now more attractive and money is no longer flowing into mutual funds that invest in fixed income securities. More radical thinking is required: the issue of yen-denominated bonds, for instance, so that western treasuries accept the currency risk that is being shunned by Japanese institutions.

This Black September in the securities markets has resulted from the determination of too many governments to fight the wrong battle while facing in the wrong direction. They still have not looked behind them.

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MARKETS

London

Equities still in thrall to bond markets

Andrew Bolger

Just how quickly is the American economy recovering? That may seem an odd preoccupation for the UK equity market, but it was the dominant concern during a week in which traders and investors remained in thrall to the international bond markets.

The FT-SE 100 sank below the 3,000 mark amid fears that the rapid pace of US growth might cause the Federal Reserve to put up interest rates again, which would increase pressure for another rise in UK borrowing costs.

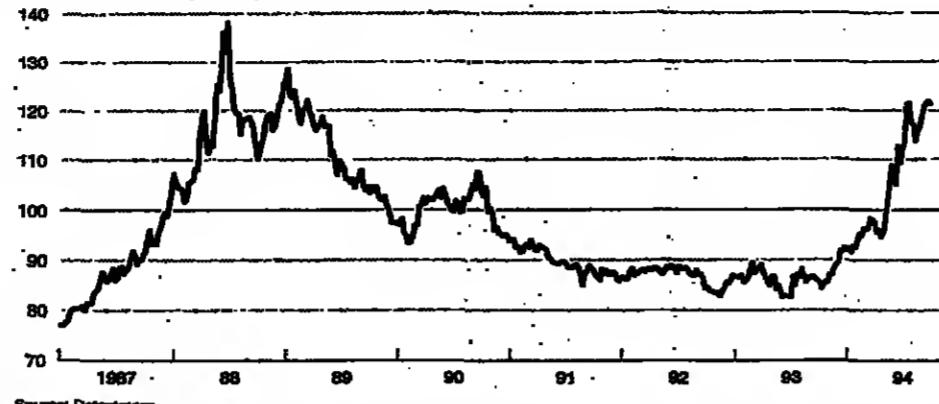
All eyes were fixed on Wednesday's meeting of the Fed's Open Market Committee. Shares shed 20 points in the preceding two days, but then recovered when the meeting passed without any rise. However, Thursday's news of an upward revision in American growth rates – plus a 9.7 per cent leap in August's new house sales in the US – was enough to wipe 46.2 points off the FT-SE 100 index.

HIGHLIGHTS OF THE WEEK

	Price y/day	Change on week	1994 High	1994 Low	
FT-SE 100 Index	3026.3	-1.9	3520.3	2876.6	US interest rate worry
FT-SE Mid 250 Index	3494.8	-68.1	4152.0	3363.4	Buyers withdraw
Body Shop Int'l	225	+19	264	195.6	NatWest positive note
British Aerospace	4521/4	-121/4	584	390	Bid talks with VSEL
British Airways	361	-12	4961/2	344	Associate passes dividend
Frogmore Estates	440	+21	536	407	Bumper figures
Reckitt & Colman	541	-491/2	714	533	L & F acquisition/E220m rights
Scottish Hydro-Elec	335	-51	477	322	Regulator's review disappoints mkt
Scottish Power	356	-31	486	3371/2	Regulator's review disappoints mkt
Shares Inv'g Serv	206	-37	426	187	Wans of £0.5m interim loss
Smith New Court	374	-42	496	342	Market turbulence/low turnover
TransTec	49	-19	105	45	Poor results
UniChem	290	-35	313	258	E20m rights issue
VSEL	1210	+245	1228	980	Bid approach from BAE
Wellcome	6491/2	-341/2	731	498	FDA criticism

Commodity prices bounce

Economist Commodity Index (all items \$ prices)



Source: Datastream

which unsettles consumer confidence.

One place where housebuilding continues to thrive is Germany. Redland, the British building materials group, said it would seek a Frankfurt stock exchange listing after announcing a 40 per cent rise in German profits in the first half of this year. The group has so far seen no sign of slackening in demand in Germany, where sales have been boosted by repairs to homes in the east and the accommodation demands from large numbers of immigrants to the west.

UK retailers also reported little scope to increase prices, in spite of improved sales levels. Searns, which owns the London department store Selfridges and the Dolcis shoe chain, expects the economy to continue a steady but slow improvement. House of Fraser, which owns department stores

around the country, said sales in September had recovered strongly after a poor August. It said the recent rise in UK interest rates had produced no marked effect but warned that a further rise could be damaging.

One bright spot for beleaguered parents came with the news from Sears that its Olympia sports chain had suffered a dip in sales. Apparently youth fashion has moved away from trainers.

Consumers can also expect more bargains in the bookshops soon, following the decision by Hodder Headline to become the second publisher to leave the voluntary agreement that allows publishers to set minimum prices for most books for six months after publication. Reed Books, the publishing arm of Reed Elsevier, already publishes its books "non-net" and says market share has increased as a result.

Dorling Kindersley Holdings, the publisher of illustrated reference books, said it was disappointed by this latest blow to the agreement. It believed the agreement's abandonment would result in the closure of smaller, independent bookshops and the availability of fewer titles.

The biggest deal of the week came from Reckitt & Colman which put its mustard business up for sale to help finance a drive to become one of the world's leading suppliers of lavatory cleaners and other household products. Reckitt announced the \$1.55bn (£380m) purchase of L&F Household, a leading US supplier of household products, from Eastman Kodak, and offered for sale Colman's mustard and Robinson's barley water.

Sir Michael Colman, chairman and last family member in the business founded five generations ago in a Norwich mill, said it was a difficult decision to sell Colman's. But he believed the business would be better run by a group with a strong food strategy now that Reckitt was concentrating on disinfectants, cleaners, air fresheners and insecticides.

The market rallied sharply

yesterday afternoon, and the FT-SE 100 ended the week comfortably above the 3,000 mark. However, the outlook for the fourth quarter's trading, starting on Monday, remains uncertain.

The broker S G Warburg argues that the pressure on bonds is coming from stronger than expected growth around the world, which points to a bullish environment for equities on any strategic view. However, it concedes that "the strong growth in analysts' estimates (which remain solid this autumn) needs to be set against the prospect of continued uncertainty in bonds over the next 12 months."

Warburg has accordingly cut its year-end FT-SE 100 forecast from 3,500 to 3,250 – "a more plausible central assumption."

In the unsettled trading of the past week – which saw low volumes and few significant corporate results – it demonstrates that UK equities remain vulnerable to any tightening of interest rates. It is for this reason that the most significant item in most traders' diaries will be next Friday's US employment figures.

Serious Money

Investments that penalise the poor

Gillian O'Connor, personal finance editor

Gilt issues - best value v tax status

Your capital gains on a gilt – a UK government bond – is tax free. However, you pay tax on the interest. These are pins which deliver a higher proportion of their total return as capital gain are more tax efficient – and – other things being equal – more attractive to higher rate taxpayers.

NON TAXPAYERS

	Stock	Price	Yield %	Volatility %
CONVENTIONAL <5yr	Exchequer 12.25%, 1999	1121/2	8.84	3.47
5-10yr	Treasury 9.75%, 2006	1033/4	8.05	5.44
10-15yr	Treasury 11.75%, 2003/07	1141/2	9.25	6.36
>15yr	Conversion 9%, 2011	1021/4	8.78	9.50
INDEX LINKED	Index Linked 2%, 1996	1986/4	7.25	1.84
	Index Linked 4%, 1998	1081/2	6.51*	3.20

25% TAXPAYERS

	Stock	Price	Yield %	Volatility %
CONVENTIONAL <5yr	Treasury 6% 1998	891/2	7.08	4.03
5-10yr	Treasury 7% 2001	901/2	7.43	5.42
10-15yr	Treasury 8% 2006	681/2	6.83	7.45
>15yr	Treasury 8.25%, 2010	781/2	6.83	8.98
INDEX LINKED	Index Linked 2% 1996	1980/4	6.52*	1.84
	Index Linked 4% 1998	1671/2	5.88*	3.445

40% TAXPAYERS

	Stock	Price	Yield %	Volatility %
CONVENTIONAL <5yr	Treasury 6% 1998	891/2	6.10	4.03
5-10yr	Treasury 7% 2001	901/2	5.61	5.42
10-15yr	Treasury 7.75%, 2006	62	5.58	7.43
>15yr	Treasury 8.25%, 2010	791/2	5.74	8.98
INDEX LINKED	Index Linked 2% 1996	1980/4	6.51*	1.84
	Index Linked 4% 1998	1471/2	5.45*	3.025

Yield is redemption yield and takes account of any change in the capital value over period to maturity. Volatility is a measure of the sensitivity of the stock price to changes in yield. *Money yield (current inflation assumed). S red yield.

Source: BZW

down. Peps were intended to encourage individuals to invest directly in the shares of quoted companies, but they became a success only when they were transformed into vehicles for the packaged savings market.

Where the poor have benefited, along with the rich, is through home ownership. But home price booms may be the thing of the past.

If this year's Budget leaves Peps alone, most investors will rejoice. But, in the long term, would it not be better if chancellor gave up using tax to distort investment patterns?

For a start, tax incentives hardly ever fulfil their creators' intentions. The business expansion scheme was intended to encourage individuals to invest in developing small businesses – and ended up sucking many people into illiquid property investment just as the market turned

down. Peps were intended to encourage individuals to invest directly in the shares of quoted companies, but they became a success only when they were transformed into vehicles for the packaged savings market.

Second, tax incentives are – as the IFS shows – of the greatest use to those who can afford expert advice. And, finally, the search for tax-efficient investment leads to investment that is, too often, distorted and, at worst, just plain bad.

□ □ □

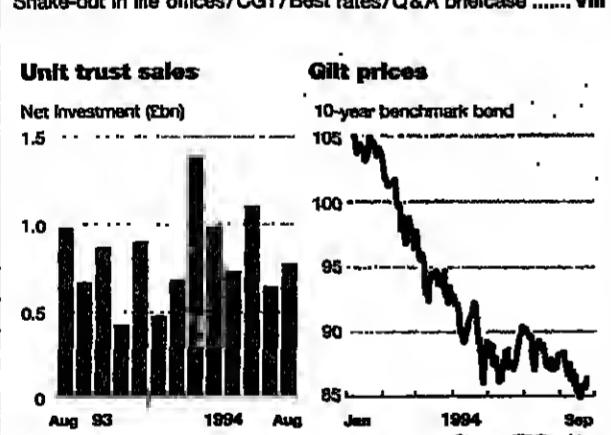
This comment from a broker seemed either cryptic or cynical: "It's easier to justify buying gilts on a personal finance basis than on a market basis." But what he meant was clear enough. The actual and probable returns on gilt-edged stocks look attractive compared with those available elsewhere. But most people are expecting interest rates to rise further on both sides of the Atlantic, and gilt prices nearly always fall when interest rates rise. So, gilts are likely to get even cheaper over the next few months.

Does this matter? Buying at the bottom and selling at the top is an unrealistic ambition. Our table, courtesy of BZW, suggests which gilts look most appealing at present to different types of taxpayer.

The yields show what you can actually expect to receive net of whatever your relevant tax rate is – provided you hold them until maturity. The volatility rating reflects the market risk: the higher the rating, the greater the risk.

AT A GLANCE

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How recent investment trusts launches have fared VI
Immigration and investment/Life products survey/Annuities VII
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Investors favour UK equity income funds

Investment in unit trusts last month rose to a net £773m from £546m in July but it was below August 1993's net investment of £981m. Private investors accounted for 55 per cent of the total with UK equity income funds as their favourite. The Association of Unit Trusts and Investment Funds, which released the figures, said that the number of unitholder accounts crossed the 6m threshold for the first time, to 6.04m.

The figure has risen by one-third since January 1992 against a background of low interest rates, as private investors have turned to equity-related products in the search for better returns than in the building society.

Gilt auction success

Prices of UK government stock – gilt-edged – continued generally weak, partly because of the fall in US Treasury bonds on Thursday. But earlier in the week the government's £2bn gilt auction had drawn an unexpectedly strong response. Demand was much as predicted. But an unusually large proportion of the stock on offer went to long term investors – life insurance companies and pension funds. And some market-makers had to scramble round buying stock after the auction. In the end the Bank of England had to sell them some.

October: a taxing time

You have until the end of the month to fill in your tax return for 1993-94. The forms should be returned by October 31 to avoid the risk of being charged interest at 6.25 per cent on any outstanding tax. Once the Revenue receives the form, it will send out an assessment and you have 30 days to appeal against it.

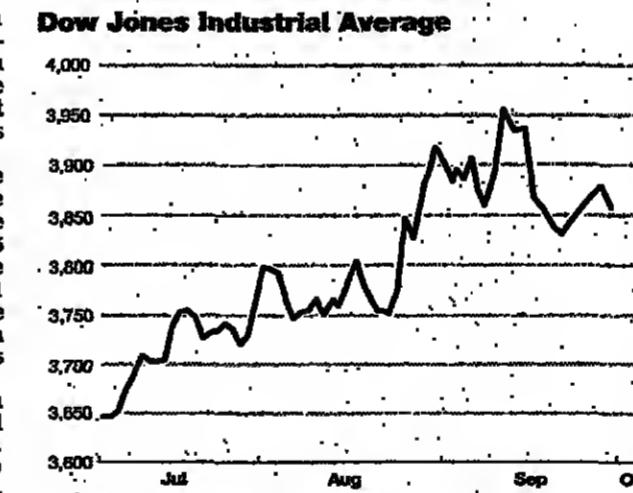
Benefit advice line

Help the Aged says pensioners are missing out on state benefits worth about £400m a year. The charity says government statistics show that about 500,000 of the poorest pensioners are eligible for income support and other benefits, but do not claim them. Help the Aged has a free telephone advice line to help with this and other issues affecting the elderly. Call 0800-289-404 for advice.

Smaller company shares decline

Smaller company share values continued to decline this week. The Hoare Govett Smaller Companies Index (capital gains version) dropped 1.5 per cent to 1637.33 over the week to September 29.

Dow Jones Industrial Average



FINANCE AND THE FAMILY

Gold regains some of its glitter

Old bulls must be cursing Britain's Chancellor of the Exchequer, Kenneth Clarke. Last weekend, he suggested that the international Monetary Fund should sell some of its gold, which earns no interest, and use the proceeds to help heavily-indebted poor countries.

Clarke's unhelpful remarks came at a time when gold had been making a determined move towards \$400 a troy ounce, a level it reached briefly just over a year ago, and when the market was getting over its fear that big sales from central bank hoards would crush the gold price again.

The latest rally started in August when a number of US financial organisations, familiar faces in the market, started to buy gold in an aggressive – but carefully controlled – manner obviously intended to drive

the price towards the \$400 level.

If anyone asked about their renewed interest in gold, the reasons also sounded very familiar: they said US interest rates were going up and worries about global inflation were spreading.

Various financial instruments were sold to investors on the strength of the rally and a great deal of money will be made if the gold price goes above \$400 and stays there for any reasonable length of time.

"There is a huge, collective wish for the price to go through \$400," says Andy Smith, analyst at Union Bank of Switzerland.

Smith says the gold market

has changed dramatically from the heady days of the late 1970s and early 1980s when investors in the rich western countries were buying physical gold. Today, most physical gold-buying comes from the Middle East and the Far East, markets that are much more sensitive to price changes.

Nor, says Smith, is the market mood the same as in the early months of last year when speculative activity was backed by a surge in physical gold-buying because the price had dropped to \$330 and the metal was perceived to be cheap. The best that can be said about demand for physical gold at present is that it remains steady.

The Gold Fields Minerals Services consultancy organisation reported in its latest market update that, in contrast to the strong start in 1993, estimates for the first half of this year implied that gold fabrica-

tion, which is backed financially by some big gold producers, summed up by saying: "The prospects for gold look very delicately balanced, and a good argument can be made for suggesting that the

Ted Arnold, metals specialist at the Merrill Lynch financial services group, says he is sceptical about a "break out on the upside" being sustainable for long. And he is puzzled by suggestions that inflation will push the gold price ever upwards.

"History does not show that happening, nor does an objective reading of likely trends in real interest rates in coming months," says Arnold.

"For gold to perform really well in an inflationary environment, one would have to have negative rates of return on money and a desire on the part of investors to physically buy and hold gold.

"I can't see a return to this

Kenneth Gooding examines why the price has moved back towards \$400

Directors' transactions

Here is the news...

Biggest sale of the week came at Scottish newsagent and retailer John Menzies where the chairman, also John Menzies, sold 420,000 shares at \$30p and Charles Ramsey, a non-executive director, disposed of 86,400 at the same price. The sale leaves both with very large chunks of stock – Menzies with more than 5m shares and Ramsey more than 2.3m.

□ **Mosaic Investments** is responsible for licensing many of the cartoon characters featured on children's lunch boxes, toys and clothes. Ken Robinson, the director in charge of packaging consumables, has acquired 160,000 shares at 26p, which increases his holding by about 20 per cent.

□ **International Business Communications** provides information services to professional newsletters and magazines. Over the past 12 months, its share price has risen by more than 57 per cent compared with the market. Donald de Groot is a non-executive director and his sale represents a considerable chunk of his holding – although this would not appear to be anything more than a timely spot of profit-taking.

Vivien MacDonald, The Inside Track

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Aberforth Split Inc	InvT	100,000	90,000	1
British Polythene	PP&P	3,916	18,092	1
Chilmark Radio	Mdia	5,000	11,750	1
EFT	OffH	300,000	180,000	1
Howden	Eng	100,000	91,000	1
Int'l Bus Comms	Mdia	44,780	102,948	1
Lookers	Dist	115,000	253,000	3
Menzies (J)	RetG	506,400	2,937,120	2
Photo-Me	OSB	16,000	36,000	1
Record	Eng	30,000	25,000	1
Southern	Watr	2,000	11,480	1
Spirax-Sarco	Eng	45,457	196,193	1
Tesco	RefT	32,022	30,923	1
Tesco	RefT	615,420	1,520,086	2
Updown	InvT	81,000	462,510	1
Wat	Eng	6,000	16,020	1
PURCHASES				
Abbey National	Brks	5,000	19,500	1
Aberforth Split Inc	InvT	80,000	142,400	1
BET	SSer	12,000	12,520	2
BTR (incl. ADRs)	DMV	5,100	15,857	2
Blockbuster	Hth	100,000	32,000	1
Brieg		700,000	16,000	2
Cook (DC)	Dist	100,000	42,000	1
CrestaCare	Hth	715,000	214,648	5
Goldsbrough	Hth	25,000	39,500	1
Kleenze	RetG	10,000	16,500	1
Medeva	Phrm	15,000	21,000	2
Mosaic	PP&P	100,000	26,000	1
RCO	SSer	18,550	55,612	2
Updown	InvT	2,600	14,846	1
Wat	FdM	95,000	102,750	5
Value expressed in £000s. This list contains all transactions, including the exercise of options if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 19-22 September 1994.				
Source: Directors Ltd, The Inside Track, Edinburgh				

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Name of Society	Product	Start	Starts	Hst	Hst	Interest	Minimum	Assess and other details
ALLIED & LEICESTER								
Special Edition		7.20	7.20	5.40	5.40	Tidy	7,000	750-750-145. One withdrawal of 10% of bal without pen.
								Rate variable
Rewards 91		6.80	6.80	5.10	5.30	Tidy	7,000	6,200-6,200-1,458
Tess		6.40	6.40	-	-	Tidy	10	20 days notice/less than 12m
Miles		5.45	5.45	4.24	4.24	Tidy	7,000	5,000-5,000-1,458
Textured Access		4.50	4.50	3.37	3.37	Tidy	7,000	4,350-4,350-1,458-1,750-25
BARCLAY								
Sterling Bonus		7.00	7.00	5.25	5.25	Tidy	180,000	120 days notice or 90 day penalty.
Generation High Int		6.25	6.25	4.45	4.74	Tidy	50,000	Instant access above £100k.
First Class Int		6.75	6.75	5.00	5.00	Tidy	200,000	Instant access no penalty.
Special Asset		5.15	5.15	3.36	3.36	Tidy	5,000	90 days notice
Special Asset		6.15	6.15	4.41	4.41	Tidy	18,000	Third interest rates
Special Asset		6.40	6.40	4.81	4.81	Tidy	28,000	Monthly interest rates available
Special Asset		6.55	6.55	4.91	4.91	Tidy	40,000	Rate effective from 01/01/94
Special Asset		6.85	6.85	5.34	5.34	Tidy	50,000	Rate applies to new accounts
Jubilee Bond		6.55	6.55	4.91	5.00	Tidy	30,000	9% Fix 62.5% 4.34% 1.72% var.
"A" Shares		7.00	7.00	5.25	5.25	Tidy	30,000	9% Fix 62.5% 4.34% 1.72% var.
Ordinary		5.00	5.00	-	-	Tidy	1	Generalised Fixed Rate
The London Account		5.75	5.75	4.31	4.31	Tidy	2,500	Instant access postal deposit account.
Best 91 (Closed Issue)		1.25	7.25	5.44	5.44	Tidy	100,000	Closed issue 225-1,075, £100-4,075.
Super 68		-	-	4.80	4.80	Tidy	10,000	Withdrawals over 5.5% from £500.
Premier Xtra		-	-	5.25	5.25	Tidy	100,000	Interest rates include 0.525% annual gross home points
Premier Xtra		-	-	5.75	5.75	Tidy	50,000	where no withdrawals occur. One withdrawal to 5%
Premier Xtra		-	-	6.50	6.50	Tidy	25,000	£5,000 per withdrawal or where £50,000 remains. Different interest
Premier Xtra		-	-	6.20	6.20	Tidy	18,000	rates apply to new accounts (e.g. savings or charity accs).
Premier Xtra		-	-	5.80	5.80	Tidy	5,000	Interest rates apply to new accounts (e.g. savings or charity accs).
Capital Bond		1.00	7.00	5.33	5.33	Tidy	100,000	Interest rates apply to new accounts (e.g. savings or charity accs).
Gold Access		5.50	5.50	-	-	Tidy	1	No transfer restrictions or charge. Levy applies 1% to 5% above 12m.
Business Gold		5.35	5.35	3.06	3.06	Tidy	100,000	No transfers or penalty.
House Gold		5.00	5.00	4.25	4.25	Tidy	100,000	Interest rates include 0.525% annual gross home points
Liquid Gold		5.10	5.10	3.83	3.83	Tidy	100,000	Interest rates apply to new accounts (e.g. savings or charity accs).
Solid Gold		6.00	6.00	4.50	4.50	Tidy	100,000	Interest rates apply to new accounts (e.g. savings or charity accs).
Retail Gold		5.00	5.00	3.54	3.54	Tidy	100,000	Interest rates apply to new accounts (e.g. savings or charity accs).
Reliable 60		6.05	6.05	5.34	5.21	Tidy	100,000	40 days notice.
Tess		6.75	6.75	-	-	Tidy	100,000	30 days notice.

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Source: FT Graphite

FINANCE AND THE FAMILY

Changes to UK immigration rules announced earlier this year, are implemented today and will have a significant effect on those wanting to move to the UK.

When the changes (see box at right) were announced, the government was accused by some critics of "selling the right to live here". Its response was to claim it was simply encouraging investment.

But one side-effect of the changes has become apparent already - the significant tax consequences for many of the people the government says it is trying to attract.

As well as affecting those planning to come to the UK, the changes could affect those already in the country. Many people have to renew their residence visas from time to time. And where the renewal is treated as a new application, the approach taken by the immigration authorities could change.

The best way to demonstrate the practical effect of the changes is by way of example:

■ **Hassan, a man of independent means**
Imagine a successful businessman from the Middle East, Hassan, who has interests in various countries. Having built up his business

Tighter tax rules for immigrants

David Freeman looks at the implications for would-be settlers - and those in the UK already

over a period of 30 years, he decides at age 51 that he wants to retire early and move to the UK with his wife and young family.

In the past, he would have applied to go to the UK as a man of independent means. He would have had to show that he had some connection there - perhaps a house, or regular holidays and business connections - together with assets of more than £200,000. In all probability, he would have been given the right to live there on condition he did not work.

From today, that is no longer the case - because of his age. Only people over 60 will be able to go to the UK under the new independent means rules.

One of the advantages of the independent means rules was that there was no obligation to take any fixed amount to the UK. Had Hassan made the application before today, he could have organised his tax and financial affairs to ensure he kept his UK tax to a absolute minimum - perhaps even to zero.



■ **Hassan, the investor**
Since he is too young to move to the UK as a man of independent means, Hassan might investigate the possibility of going as an "investor".

If he can show that he has £1m, and is prepared to invest £750,000 of it in government bonds or shares, he should be all right. Suddenly, though,

Hassan finds he needs two sets of advice - first, on how to make the immigration application and, second, on the tax consequences of the promise he is making. For instance:

□ He will have to be careful about how he takes his money into the UK - it is possible the Inland Revenue could treat him as being resident because

The tax changes

	OLD RULES	NEW RULES
Independent means	Any age, over £200,000 capital	Over 60s only Over £25,000 p.a. income
Investor	Did not exist	Have assets of £1m plus Invest £750,000 in government bonds or shares. Any age
Sole representative of foreign business	Prove you are needed. No legal formality	Set up registered branch or subsidiary in the UK (i.e. establish UK tax presence)
Businessman	Show access to £200,000 investment	£200,000 must be in your name

of past visits. It would be unfortunate if he was taxed because of this.

□ Once the money is in the UK, he will have to invest it. The income from this will be taxed in the same way it would be for anyone else.

□ He will need to submit tax returns (although, as of independent means, he could avoid this if he arranged his

affairs carefully).

□ The tax authorities will want to see if the income from his UK investments is enough to support Hassan and his family in the style to which they have become accustomed.

If the Revenue is not convinced that the investment income is enough for this purpose, and Hassan continues with an up-market life-style, he will be taxed on his salary like

anyone else, but the company would have been outside the UK tax net.

From today, Omar's company must register a branch or subsidiary if he is to be its representative. It will then have a UK tax profile - which it might not want.

■ **Hassan, the businessman**
Hassan might decide he does not wish to be a man of independent means and wants to carry on working. So, he could consider setting up a business in the UK.

The rules about this have not changed significantly; the minimum amount of money required to be invested in a business remains only £200,000, which must be held in the name of the person moving to the UK rather than, say, in trust or in another company.

The disadvantage for Hassan is that, if he dies prematurely, it will be taxed under UK inheritance tax rules.

The subtle changes to the immigration rules undoubtedly will make the arrangements for would-be immigrants more complicated. Never before has immigration and tax planning become so inter-linked.

Still, with careful planning, the many tax advantages available to people from abroad will remain.

■ **David Freeman** is a partner at City solicitor Elias Freeman.

Choose right and double your money

If you want to take advantage of stock market growth but prefer the pooled route rather than direct investment, the choice of products and providers is bewildering.

The latest survey of the most popular savings products from life offices shows that, with the right choice, you can double - even triple - your money. But if you get it wrong, your initial investment could be halved.

In its 1994 survey of unit-linked products, *Money Marketing* examines the charges and returns for maximum investment plans, single premium bonds and personal pensions, among others.

Maximum investment plans and single premium bonds compete, with other pooled investment vehicles - in particular with unit trusts - but there are significant differences in the way these funds are taxed. Life office funds are liable to basic-rate income tax and capital gains tax, but some "qualifying" products can offer a fund that, at maturity, is free of higher-rate tax. This is because the product has an element of life assurance.

While these products are attractive to higher-rate tax payers, those on the basic rate have little to gain. John Jenkins, of actuary Alexander Clay & Partners which co-produced the survey, says: "Investors should note that the income tax charged on the fund cannot be reclaimed.

"The same is true of the capital gains tax which is charged on the build-up of the life fund.

Top 10 MIPs

Company	£
Allied Dunbar	13,511
Norwich Union	13,329
Sun Life	13,273
Prov Mutual	13,160
Standard Life	13,141
AXA E&L	13,030
Confed Life	13,032
Pearl	12,942
London Life	12,908
Legal & Gen	12,870

10-year past perf figs based on £70 monthly premium for non-smoking male, aged 25.

Source: Money Marketing

Bottom 10 MIPs

Company	£
Swiss Life	10,318
Refugee	11,010
Merchant Inv	11,406
Comhill	11,431
Barclays Life	11,460
Prov Capitol	11,515
Scandia Life	11,534
Laurentian	11,567
M&G	11,784
Guardian	11,907

10-year past perf figs based on £70 monthly premium for non-smoking male, aged 25.

Source: Money Marketing

Top 10 S-P Bonds

Company	£
Sun Life	14,964
Allied Dunbar	14,644
Legal & General	14,817
L & M	14,546
Norwich Union	14,334
Wesleyan	14,293
M&G	14,211
Prudential	14,190
Liberty Life	14,152
AXA E&L	14,128

5-year perf figs based on single premium of £10,000 for non-smoking male, aged 25.

Source: Money Marketing

savings plans that run for a minimum of 10 years and offer life cover worth at least 75 per cent of the total premiums paid over the term of the contract. The survey shows how the returns vary considerably. Top provider for a £70-a-month investment over 10 years was M&G with £15,250. Worst was MGM, which returned £10,799.

Charges also vary significantly. If you invested £100 a month for 10 years, the projected total (where no charges are deducted and assuming 7.5 per cent growth a year) is £17,638. The effect of London Life's charges would be to reduce this figure by £1,269 while the corresponding figure for the highest charger, Reliance Mutual, was £3,330.

Single premium bonds

These are lump sum investments that are not "qualifying", so higher-rate tax will be charged where applicable. The top managed fund over five years was from Sun Life with a return of £14,964 on an investment of £10,000.

It also includes contracts which may not normally be thought of as insurance, such as extended warranties on electrical goods and membership of breakdown recovery services like the AA and RAC.

While tax does not apply to long-term products, like life insurance or most kinds of permanent health insurance, it will hit private medical insurance.

A handful of insurers - including the Prudential and Pearl - have announced they will absorb the cost rather than pass it on to their customers. But this could be short-lived: no insurer has committed itself to absorbing the tax for more than the first year and some people in the industry fear it could be increased in next month's Budget.

In other EC countries, the tax can be as high as 30 per cent on some types of insurance, although a more normal level is 5 to 10 per cent.

Research by AA Insurance has found that UK motor insurance premiums rose on average by less than 0.5 per cent between July and October, rather than at least 2.5 per cent, as might have been expected. So, although most insurers are passing on the cost of the tax, underlying premiums are falling for other reasons - which almost cancels out the effect of the new levy.

Bethan Hutton

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Charges are less of an issue with single premiums because this structure avoids the high up-front deductions associated with regular premium plans. "Money Marketing 1994 Unit-linked Survey", price £3.75, from Ian Paxton on 071 439 4222.

Debbie Harrison

Annuities

The average annual inflation rate over the past decade stands at 5.25 per cent, so August's 2.4 per cent might appear relatively low, writes Peter Quinton, of the Annuity Bureau. But those approaching retirement need to consider the most effective way to protect annuity income against inflation.

Some protection can be achieved by choosing an escalating annuity. This guarantees a selected annual increase of 3 per cent, 5 per cent, 8.5 per cent (which can be subject to Inland Revenue restrictions) or, alternatively, in accordance with the retail prices index.

A comparison with last week's table listing level annuity rates shows the first year's payments for escalating annuities is considerably lower.

Over time, however, income will outstrip what would be

achieved through a level annuity - particularly if the annuity anticipates living beyond

the average life expectancy - 78 for a man aged 65 and 82 for a 65-year-old female.

Coutts & Co Interest Rates.

SAVINGS ACCOUNTS

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Three Month Reserve Account	£50,000+ £25,000-£49,999 £10,000-£24,999	5.25%<

FINANCE AND THE FAMILY

Life offices face shake-out

At least 40 could close under new rules, says Debbie Harrison

Consumers should benefit next year when life insurers enter a period of increased regulation and price competition.

What is not clear is whether the predicted demise of at least 40 of the total 103 life offices is entirely good news. Clearly, it depends on whether you buy your long-term investment product from a winner or loser.

The trigger for the shake-out is the introduction in January of rules that require life offices to tell clients exactly how much they pay advisers and salesmen in commission, and what deductions they make for administration.

Until then, they can hide

behind meaningless "standard charge" illustrations that tell you nothing.

Naturally, the low charges and the top performers (not necessarily the same offices) are fairly relaxed about their future. The rest are worried.

Last week, we reported a *Money Management* survey on personal pensions which revealed that the Hearts of Oak friendly society deducted 40 per cent of a client's premiums in charges. From January 1995, the client will be told about these costs before making a commitment – and is likely to buy elsewhere.

In theory, providers who combine high charges with poor performance should go to the wall. In practice, the government is unlikely to force this to happen because of the destabilising effect this would have on an already beleaguered life and pensions industry.

Instead, we are likely to see a series of take-overs and mergers led by the companies with the most financial clout.

Only this week, Sir Mark Weinberg, the man behind some of the largest and most successful direct sales operations, announced he was to chair a new company with a £100m "vulture fund".

His aim is to hover over the stragglers, pick off the best, close them to new business and manage their existing funds.

Bacon & Woodrow, the consulting actuary which is predicting the demise of 40 life offices, also said that just 10 per cent of existing offices appeared to be cost-effective. It added: "The remainder, mostly traditional life offices, are leaving themselves open to attack by the new, lower cost, simple savings providers."

The question investors should be asking is: "If I invest with a life office that subsequently is taken over, will my fund be well managed?" (After all, financial clout is not synonymous with good performance and low charges). The answer, unfortunately, is: "That depends."

In theory, a fund that is closed should do well because it does not bear new business costs. On the other hand, if the high charges imposed by the original life office are maintained, along with the early termination penalties, you could be stuck in a situation where it is unprofitable to stay but expensive to get out.

To make its predictions, Bacon & Woodrow considered the cost of acquiring new business and maintaining policies in force. It then provided a rough identikit of the survivors but no actual names.

Among the survivors, however, R&B listed bancassurers (which sell financial products to bank or building society customers) and life offices that concentrate on specialist products sold through independent advisers.

Credit losers were the subsidiaries of foreign companies, which made up the bottom 10 in the rankings. Also at risk were the broad-based, medium-size life offices that try to do all things to all men – and, in practice, do nothing very well.

We have a deposit account with an English building society on the Isle of Man primarily to receive interest before tax is deducted. Would it be legal – that is, tax avoidance rather than tax evasion – if, when the interest was due, we travelled to the island, withdrew the interest and spent the money there? And would we need to declare the amount of interest spent on our next tax return?

■ You forgot to tell us where you and your husband are domiciled. If, as well as being resident and ordinarily resident in the UK, you and your husband are domiciled in England and Wales (or in Scotland or in Northern Ireland), then you are liable to pay UK tax on the Manx interest regardless of whether or not it is remitted to the mainland.

On the other hand, if (despite being resident and ordinarily resident in the UK) you and your husband are domiciled somewhere else, you would not have to pay UK tax on the interest.

Setting losses against income

Some time ago in the FT, I read an article saying that losses in private managed companies can be set against income. My accountant says it does not apply to offshore trusts. Is he correct?

■ The article you read was talking about sections 573 to 576 of the Income and Corporation Taxes Act 1988. To satisfy yourself that your accountant is right, go to a local reference library and look up these provisions in one of the multi-volume tax works, such as the British Tax Encyclopedia.

Credit can be reclaimed

I hold some shares on behalf of a four-year-old granddaughter in National Power

Evasion – or avoidance?

Q&A
BRIEFCASE

An legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

should be taxed at the lowest band – is, 20 per cent?

■ Questions of Revenue policy are outside the scope of local tax offices. Send your question to the Controller, Inland Revenue, Insurance and Specialist Division (Schedule E), 550 Streetbrook Road, Solihull, West Midlands B91 1QU.

Better deal on insurance

Soon after buying a new car recently, I discovered my insurance broker had not offered me a very good deal; other firms offered better motor policies for around £50 less. I asked him if I could cancel my existing policy, get a pro-rata refund and change to a better company.

■ I was told I would get a refund equivalent only to my paying about £50 for just one month's insurance. I asked for confirmation and was told the company would not quote an exact figure until I had committed myself to cancelling the policy. Is the company wrong by refusing to say what the refund would be until I have committed myself?

■ It appears you are paying the penalty of trying to cancel a policy very soon after its inception. The company incurred administration costs in setting up the policy for your new car and it would be difficult for it to quote an exact refund figure until you had given it a specific date and confirmation.

We feel sure, however, that if you apply to the company, you will be able to get an accurate estimate of the costs involved.

Shares are worthless

Some years ago, I bought a few shares in Resort Hotels but I suspect they are now worth nothing. Is this the case?

■ Yes. The shares were suspended on July 16 this year.

Misplaced confidence

A surprising faith in the government's generosity has been revealed by a telephone poll seeking people's views about the payment of mortgage interest relief for people who have been made redundant. Just over one in three think the government will pay all the interest from day one. In fact, it will do so only after 16 weeks.

The poll, conducted by Audience Selection, was commissioned by Alliance & Leicester building society which, until November 12, is offering a year's free unemployment insurance with its fixed rate

or discounted mortgages. In the case of a joint mortgage, the insurance pays half the amount if one borrower becomes redundant.

More generally, however, the poll comes against a background of lobbying by mortgage lenders to try to prevent the government curtailing mortgage interest payments for people on income support.

Already, the payments are not available for loans above £125,000, or for people with more than £28,000 savings. ■ There were more mortgage rate announcements this week. Woolwich has increased its standard variable rate by 0.35 of a percentage point to 8.1 per cent, the same as the Halifax, Midland, National Westminster and Lloyds bank are all moving to 8.1 and join Barclays bank which made its announcement earlier.

Variable rates at Scottish banks are better – the Royal Bank of Scotland has passed on the full half percentage point increase but its standard variable rate is now 7.99 per cent. Bank of Scotland also moves to 7.99 per cent on Monday from 7.64 per cent.

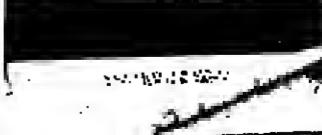
Alison Smith

HIGHEST RATES FOR YOUR MONEY

Account	Telephone	Notice/term	Minimum deposit	Rate %	Int. paid
INSTANT ACCESS A/cs					
Portman BS	0302 292444	Instant	£500	5.00%	Y
Manchester BS	061 634 9465	Postal	£1,000	5.00%	Y
Skipton BS	0500 700511	Postal	£2,000	6.10%	Y
Northern Rock BS	0500 505000	Instant	£20,000	6.50%	Y
NOTICE A/cs and BONDS					
Bradford & Bingley	0345 248248	Direct Notice	£1,000	5.00%	Y
Northern Rock BS	0500 505000	Postal 60	£10,000	6.75%	Y
Universal BS	091 232 0973	1 Yr High Option	£10,000	6.80%	Y
Coventry BS	0800 126125	Feed Rate Bond	£5,000	9.10%	Y
MONTHLY INTEREST					
Britannia BS	0538 391741	Capital Trust	£2,000	5.37%	Y
Bradford & Bingley BS	0345 248248	Direct Notice	£10,000	6.30%	Y
Northern Rock BS	0500 505000	Postal 60	£2,500	6.15%	Y
Coventry BS	0800 126125	Feed Rate Bond	£5,000	6.70%	Y
TESSAs (Tax Free)					
Market Harborough BS	0858 463244	5 Year	£9,000	7.80%	Y
Cheshire BS	0800 242378	E1	£1,000	7.40%	Y
Hockey & Rugby BS	0455 251234	5 Year	£3,000 A	7.35%	Y
Holmesdale BS	0737 245716	5 Year	£1,000	7.15%	Y
HIGH INTEREST CHEQUE A/cs (Gross)					
Woolwich BS	0800 400900	Current	£500	3.50%	Y
Hatfield BS	0422 335333	Asset Reserve	£5,000	4.50%	Y
Chase BS	0800 717515	Classic Postal	£2,500	5.75%	Y
OFFSHORE ACCOUNTS (Gross)					
Woolwich Guernsey Ltd	0481 715735	International	£500	5.75%	Y
Portman Channel Islands	0481 822747	Gold Plus	£20,000	6.65%	Y
Yorkshire Guernsey Ltd	0481 710150	O'shore Key Ex	£50,000	7.00%	Y
Hatfield BS	0534 59840	Fixed Rate	£10,000	6.60%	Y
GUARANTEED INCOME BONDS (Net)					
AIG Life	081 680 7172	1 Year	£20,000	5.60%	Y
Prudential	081 680 7172	2 Year	£20,000	6.40%	Y
General Portfolio	0772 462638	3 Year	£20,000	6.90%	Y
General Portfolio	0772 462639	4 Year	£20,000	7.00%	Y
Eurolife	071-454 0105	5 Year	£10,000	7.75%	Y
NATIONAL SAVINGS A/cs & BONDS (Gross)					
Investment A/C	0800 400900	1 Month	£20	5.25%	Y
Income Bonds	0800 400900	3 Month	£2,000	5.50%	Y
Capital Bonds I	0800 400900	5 Year	£100	7.75%	Y
First Option Bond	0800 400900	12 Month	£1,000	6.40%	Y
Pensioners Gls 2	0800 400900	5 Year	£500	7.50%	Y
NAT SAVINGS CERTIFICATES (Tax Free)					
42nd Issue	0800 400900	5 Year	£100	5.85%	Y
8th Index Linked	0800 400900	5 Year	£100	3.00%	Y
Childrens Bond G	0800 400900	5 Year	£25	7.85%	Y

This table covers major banks and Building Societies only. All rates (except those under heading Guaranteed Income Bonds) are shown Gross. F = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N = Net Rate. P = per cent on £25,000 and above. I = 6.80 per cent on £20,000 and above. S = per cent on £25,000 and above. H = 6.75 per cent on £25,000 and above. Source: MONEYFACTS. The Monthly Guide to Investment and Mortgage Rates, Laundry Lake, North Walsham, Norfolk, NR23 0SD. Readers can obtain an introductory copy by phoning 0892 500663. Figures compiled on 28 September 1994.

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*Source: Micropal offer to bid with gross income reinvested since launch to 32/08/94. UK Enterprise Fund from 01/08/88 and from 01/08/89 +102%. 1/16. 5% Smaller Companies Fund from 01/06/79 and from 01/08/89 +14.4%, 30.5%; Income and UK Equity Funds from 03/01/7

PERSPECTIVES

The idiosyncratic stonemasons' yard at Lloyds of Great Bedwyn, near Marlborough, Wiltshire has been an irresistible lure for generations of children from the village school next door.

"Press the button and the fountain will work," says the ageing hand-cut plaque attached to a statue of a greek goddess that stands precariously on the front wall.

It still does work. Follow the instructions and a huge and noisy plume of water cascades from a giant urn at the rear of the yard, which also houses a bewildering array of items, from Chinese granite lions to teddy bear headstones, medieval-style carved grotesque heads, and a scaled-down stone replica of a Sopwith Camel first world war aircraft carved as a memorial to an airman killed in 1917.

All the "exhibits" in the yard are of stone, as are the 100 or so plaques and inscriptions in the collection attached to the side of the Victorian brick headquarters of the five-man company.

They have been collected by members of the seven generations of Lloyd who have run the family business, and passers-by are welcome to drop in and view the collection.

One might reasonably think such an established enterprise serving a wide area with items from churchyard memorials to marble bathrooms, floors, worktops, fireplaces and stone garden ornaments, would be as solid as the Bank of England. Yet two years ago the business came as close to collapse as it has in 204 years of existence.

John Lloyd, 38, who took over the reins from his father Ben 12 years ago, is still paying the price for a brief collaboration with an old friend that lasted two years and had damaging effects on his original business.

"Despite the onset of the recession in the late 1980s we were doing really well. I had a staff of five, plus a secretary, and we were turning over £250,000," said Lloyd.

"We were having to work harder for our money than we did in the boom of the mid-80s, but life was varied and enjoyable, and there was no shortage of work, including a number of lucrative marble fitting jobs on London.

"We had managed to keep up with mechanisation, and there was still a healthy demand for the high quality hand letter cutting in which we have always specialised. However with the increase in demand for marble work I thought it would be a good idea to join up with an old friend who was disillusioned with his job working for a major marble importer, and form a new enterprise importing and wholesaling all forms of marble.

"We ran the business as a separate entity from here. The first mistake I made was to resolve to draw no salary from the new business, believing in my naivety, that it would pay me back later.

"After 12 months I was aware that I was putting three-and-a-half days a week into the new venture and the masonry business was suffering.

"Almost before I realised it the family business had built up an overdraft of £40,000 - we



Faces from the past: John Lloyd with works from the collection built up by the seven generations who have run the family business

FT Ski Expedition/Arnie Wilson

The pre-war experience

Arnie Wilson and Lucy Dicker are attempting to ski every day of 1994 on a round-the-world expedition. They are currently exploring the mountains of New Zealand

Tschepp admits it is basic. But he is such a geno to me.

It is so cold that Lucy and I climb into our borrowed sleeping bags still wearing our cold-weather Degré ski suits. Outside, in this rarefied atmosphere the stars sparkle like a million snow crystals.

This, it occurs to me, is a skiing time warp. We are experiencing pre-war skiing: it is still happening today in New Zealand's club fields.

On our bedroom wall is an account of a skiing trip by children from Otematata School. Choice highlights include: "The ski instructors kissed us all goodnight (yuk)" and "We all liked the times Mr Gulliver and Mr Gray fell over".

'It is so cold that Lucy and I climb into our sleeping bags still wearing our ski suits'

Lucy and I sympathised with Mr Gulliver and Mr Gray. We just could not get on with the "nut-cracker" devices used to attach yourself to the tractor-driven rope tows. (There are four at Awakino: Access, Ridge, Main and Learners.)

I suffered quite a nasty rope-burn during my first attempt, and when we both finally got to the top of the mountain, snow conditions were among the most difficult we had experienced in almost 200 ski resorts.

It was the moment of truth for us as we started our tour of New Zealand's club fields. Like many of them, Awakino has no grooming. If we were clumsy in our attempts to get up, we were inglorious in our attempts to ski down.

"I guess this is just what it must have been like between the wars in the Alps," I said to Lucy. "I'm glad it's not like that any more," she said.

Last time anyone told me not to be afraid was 10 years ago when an instructor, Daniel Hansjacob, was about to take me down my first couloir in Val d'Isere. This time it was Arthur Tschepp, a 67-year-old Serbo-Croat and he was reassuring us about the hair-raising drive (reminiscent of some of our journeys in the Andes and Himalayas) to Awakino, New Zealand, in his ancient Land Rover.

Tschepp who learnt to ski on barrel staves in the hills above Zagreb (where he also died with death with the trams by tobogganing in the streets using ice skates to steer) is patron of Awakino club field, with the smallest membership in New Zealand (200).

He is also the latest member of New Zealand's One Ski In the Grave Club (open to 55-year-olds and over).

The Land Rover, made in 1950 and brought from Britain to New Zealand in the 1970s by a visiting Maori, makes a noise like a tug-boat. "It was perfectly all right until some hoodlums out possum shooting shot through the windscreen and stole the carburettor, battery and drive shaft," explained Tschepp.

"I managed to make a new

drive shaft by cutting down an old one from a standard vanguard, and I cannibalised three carburetors to make a new one."

Arthur knows a thing or two about cannibals. He worked with them in Papua New Guinea in 1954, clearing up the havoc after 3,000 people were killed when Mount Leamentong erupted. "I can work with cannibals. They are much less difficult than some of today's teenagers."

By now we have reached the Awakino ski lodge. Even

Minding Your Own Business

Costly chip off an old block

Clive Fewins visits a family stonemasons which nearly cracked after 200 years

had never owed anything like that before - and the bank was getting uneasy. My neglect of the family business meant that the work volume dropped because I was putting in less time and thought into gaining the all-important small jobs that traditionally grew out of bigger contracts.

Further, having realised what was going on I was far too slow to act. By the time I stood firm, things were so bad that my main business was on the point of founders.

The family firm had been landlord to the other enterprise, and was also bearing nearly all the overheads and even supplying some of the staff. It was therefore no surprise that the new venture was making money at the expense of the older one, and also sucking the life blood out of it."

By the time Lloyd decided to cut his losses and get out, the stonemasonry business was turning over less than £100,000.

He sold his share of the new business for £20,000 and heaved a sigh of relief. He estimates that, altogether, lost earnings, additional overheads and payments that followed the episode cost him nearly £100,000.

"It was a very low period. I felt I had been a total fool and this hit very hard.

The result was that last year

"But now, two years after it all came to an end, I realise that the episode made me look hard at things and determine to improve our ways of doing business," Lloyd said.

Fortunately there was a white knight waiting in the wings. Charles Weihl, the father of Lloyd's long-time girlfriend had recently retired from running a water management system company, and he immediately set about trying to right things.

Lloyd had the unpleasant task of making two long-servicing employees redundant, thus reducing the male workforce to three plus himself, and then carrying out a full stock check at Weihl's insistence. Weihl also persuaded him to sell surplus unwanted stock and end his time-honoured practice of buying small pieces of stone he liked the look of when visiting a wholesaler because he thought they would be useful additions to his stock.

Weihl also insisted that the huge collection of statuary and stone artefacts outside should be made the personal possession of Lloyd so that if the business founders it might not have to be sold. He also introduced computers - which Lloyd still loathes - cash flow projections, and a new accounting system. He gave - and still gives - his family services free of charge.

The result was that last year after nearly two years of foregoing a salary and living off savings, Lloyd was able to start paying himself again. This year the overdraft slowly began to drop and he is thinking of taking on a trainee to join his three other men.

"Turnover this year should be about £20,000 and I am hoping we shall show a profit of a few hundred pounds," Lloyd said.

"I have learned a lot - particularly the wisdom of drawing up a full legal agreement before entering into a part-

nership, even if it is with an old friend.

"However, the one thing I won't do is give up my ledger," he said. "The firm has a collection of written records going back to 1800 and I can easily open a ledger and look up details of jobs going back as much as 70 years."

"This can be very useful. Only a few months ago I had a chap come in who seemed very grand. He wanted a memorial, and hauled at a deposit, saying his family had traded with us for several gen-

erations, though he admitted they hadn't used us since the 1950s.

"We sat together and thumbed back through the ledger until we found the record of the job, 40 years ago. A neat note on the bottom of the entry in my grandfather's handwriting stated that these customers were slow to pay. The point was taken. Nothing was said, but he gave me a deposit."

■ *Lloyd of Bedwyn, 91 Church St, St. George, Marlborough, Wiltshire SN8 3PF. Tel: 062-870243*

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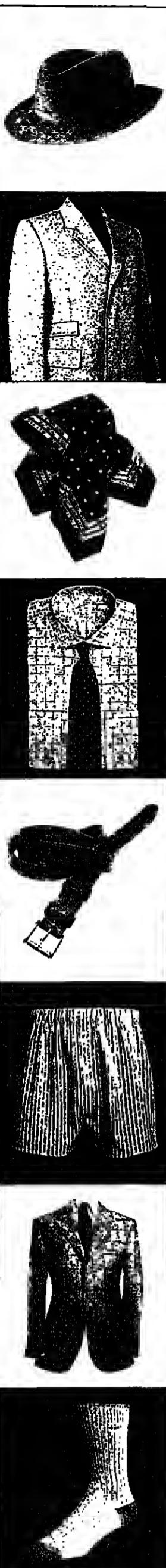
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Maryse Boxer at her own dining table. The large lay or serving plates with a richly-coloured inlaid majolica pattern round the edge are her Ballet Russe collection - small versions start at £19, the large ones are £25. The smaller plates in pink, green, blue or clear

edged with an intricate gold pattern are £20 each. The crinkly napkins are £17.95, straight glasses with gold embellishments, £10 each. The double gold-plated holder with glasses which can be used for champagne, candles or flowers are £125 each.

At the end of the table are three cast-iron trivets holding glass flutes used as vases for the flowers. Prices of the trivets with the flutes are £75, £85 and £95, depending upon the height. All from Chez Joseph, 26 Sloane Street, London SW1.

Serve a touch of creativity at your table

Maryse Boxer is a designer who has brought all her talents to bear on a small but fascinating area of domestic life - the table top. Originally a textile designer in France ("I was working with

Cacharel in his heyday") she then produced the colours for Dior's first cosmetic line, but all the while she loved collecting china and playing with table settings, writes Lucia van der Post.

When her husband's work

brought her to London she started experimenting with her ideas for tableware. "In the US there was a cheap and cheerful range of tableware called Fiesta which came in lots of different colours and you could play around with different combinations and that was when I began to think about doing a range of my own."

To begin with she made modules in cardboard, playing with light, shape and texture - she would see how a matt plate set off the contrasting gloss of a shiny one, how a round plate set on a bigger curvy one could enhance the interest in both and how a smooth finish would provide a rich contrast with a rough one. She began to see the table as a creative outlet for every woman's domestic talents.

From having an original idea to a saleable product is usually a long and difficult step but when Joseph Ettedgui, the retailer behind the Joseph empire, said he wanted her to do a black and white collection for Joe's Cafes in Draycott Place which he was about to open, Boxer was off. "I knew nothing about ceramics - I had just fiddled about with these ideas on bits of cardboard but Joseph did not want to know anything about my manufacturing problems. I was on my own. It had to be ready for the opening and it was. Joseph started selling the range in his shop Pour La Maison. Barney's in New York saw it and wanted it. Then The Conran Shop and so on."

After her minimalist black and white range for Joseph she did Rainbowware - a brilliant rainbow range of cups on leaf-shaped saucers offering a huge variety of colour combinations - for Aroma Cafe. The trendy crowd who drink Aroma's coffee can buy the ceramics when they finish.

Since then her range has expanded to take in glass - champagne flutes which double as vases or candle-holders and drinking glasses and pale coloured plates, some of it made in Italy and embellished with gold-leaf. Then there are napkins - crinkly linen and polyester, completely washable and needing no ironing - and cups and saucers and plates of every size and in every mood.

Her main aim is to offer her customers choices. "I wasn't interested in designing just a glass. I wanted everything to be multi-media and multi-faceted so that the table can be as personal and as creative a medium as the clothes we wear. Everything I do is always hand-finished so that they are all slightly different. That is what gives the pieces life."

From this week the whole range of her wares can be seen in the basement of Chez Joseph, 26 Sloane Street, London SW1 where she shares the space with the furniture designer Carolyn Quartermaine.

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They spoke almost as one: natural is in. Jute, linen, cotton, silk are the "in" fabrics. Jute and sisal come in floor coverings (nothing new) but also in fringes and tie-backs. Out go frayed window treatments and an over-abundance of paint effects. In come shutters, simple blinds and a much tailored look for curtains.

Traditional paint colours are very in. Those with little to spend can cool down and simplify the interior by re-covering cushions in pale neutral colours, and using throws to change the mood of sofas and chairs instead of going to the expense of reupholstery. Above all, if in doubt, keep it simple.

IKEA remakes Swedish history



The Svensksund sofa, a replica of an original late 18th century piece, £1,250

For those of us accustomed to thinking of Ikea as that nice inexpensive Swedish operation that would sell us some bargain-priced household furniture and accessories if only we could find the place, it is something of a turn-up to discover that it is selling elegant copies of 18th century Swedish furniture. Ikea has traditionally been regarded as that paragon of Scandinavian contemporary chic, so democratic, so respectful of the taste of the masses. The notion of it dealing in reproduction furniture is enough to send one scurrying to see what it is all about.

What we find is an instructive example of how reproduction furniture has become entirely rehabilitated by the taste police. Not, of course, any old reproduction and certainly not what the late Sir Paul Reilly, the first director of the Design Council used to call "ruptured repro", but reproduction furniture that comes with proper history and what in these circles is referred to in a hushed voice as "authenticity".

Some of us have never minded too much about authenticity, preferring to rely on something much more primitive such as do we like it? Would it look good in our house? Can we afford it?

It has to be said that Ikea's selection of 18th century furniture, a style known as Gustavian, passed almost all the tests. And it has "authenticity" as well.

The hallmarks of the style are a simplicity which tines in beautifully with the 1990s mood in furnishings - floors are stripped wood, furniture often of painted wood, the colour scheme is restrained, relying on muted blues, whites, greys and yellow for light. Fabrics are simple, often blue and white checks, simple cottons and muslins.

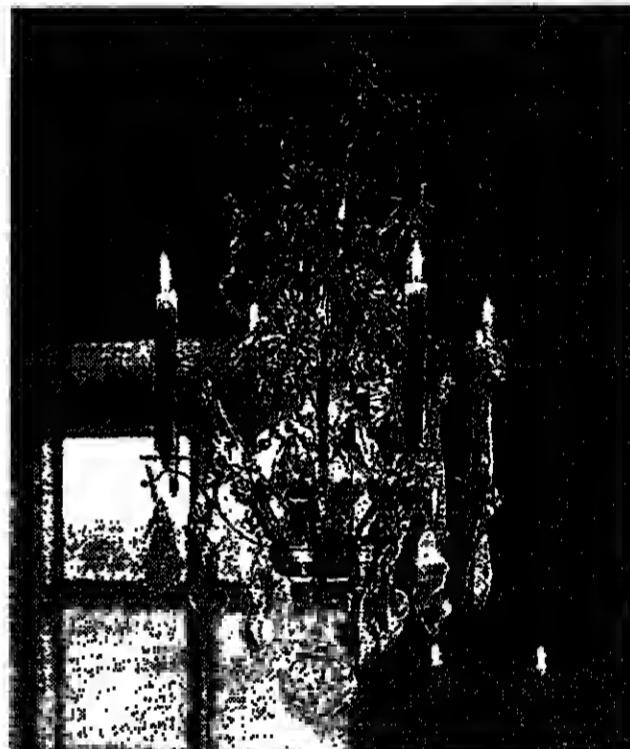
The overwhelming impression of the Gustavian interior is one of light, air and tranquillity. The pieces Ikea has developed, in conjunction with the Swedish Central Board of National Antiquities, are the props that will bring this vision to life.

Every piece was copied from one of the examples in a priceless collection of 18th century Swedish furniture in the old spa town of Mädel. Its future was under threat because of lack of funding until Ikea and the Swedish Board of National Antiquities struck a deal. Ikea would safeguard the future of the collection if it were allowed to produce faithful copies of the originals. Each piece has been made by following the methods used by Swedish craftsmen of two centuries ago and using materials that are almost identical.

For instance, hand-painted blue and white china is made in the same province of China as the original pieces from the same sort of clay. Glassware is mouth-blown and the results are so close to the original that the reproduction glasses have had to be engraved to prevent them being confused with the originals.

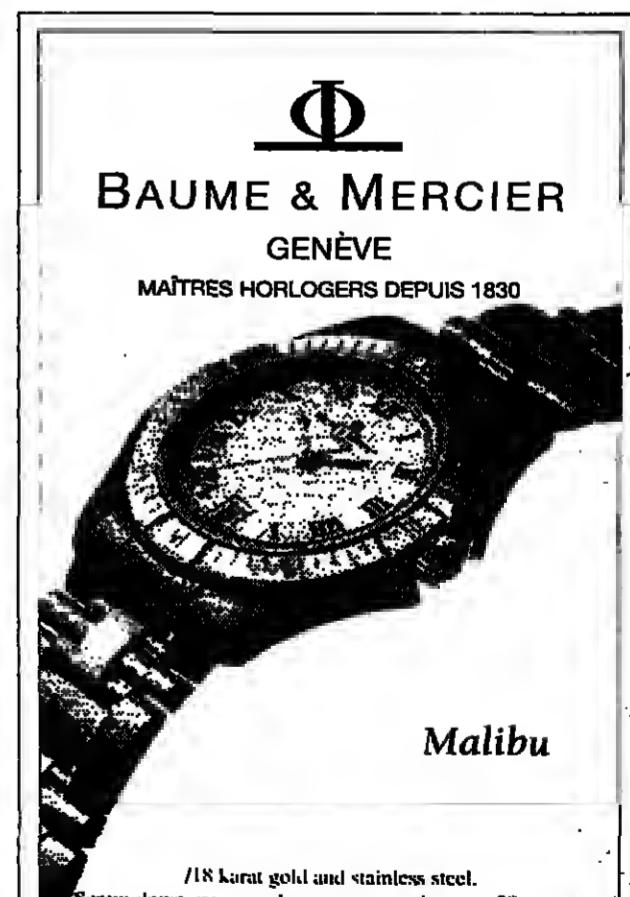
There is a wonderfully ornate and glittery chandelier, based on a 17th century version that hangs in an upstairs room at Sturehof Manor outside Stockholm. Then there are sofas, such as the one photographed above, side tables, bookshelves and chairs.

Prices seem excellent for the quality on offer - the most expensive piece is the Svensksund sofa which is £1,250.



The Sturehof chandelier, based on a 17th century version, is made from solid polished brass and glass, price £350

erg (published by Frances Lincoln, £20), is a beautiful evocation of that way of life. Here are uncluttered rooms, peaceful, comfortable, frugal, yet elegant. Light suffuses the spaces, well-proportioned houses are surrounded by quiet woods, unpolished pale floors gleam in the soft northern sunshine. It is a visual feast for those who aspire to these gentle domestic interiors.



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The making of a vintage brew

Giles MacDonogh travels to India to take tea — of the finest sort

When the sun breaks through the clouds you may catch a glimpse of the peak of Kangchenjunga from the terrace of the Darjeeling Club.

At 28,148ft, Kangchenjunga is the second highest mountain in the Himalayas. That is to the north, in the province of Sikkim. Darjeeling is still called hill country, although the hills rise to a dizzy 7,000ft.

Those hills are remarkably fertile. Waterfalls spout from every crag. Occasionally, the sheer slopes are splashed with the multi-coloured sari of the teams of Nepalese women who earn a crust by picking tea.

Making great tea is not so different from great wine. For grape variety read tea bush. The best of all is the China bush, brought to Darjeeling by the first planters 150 years ago.

Then there are China clones, Assam bushes and Assam clones. The Assam bushes will give you a much brisker, more tannic cup, but they will never have the delicacy of great Darjeeling.

The leaves are withered before they are dried. This process removes the excess moisture in the leaf and begins the bio-chemical transformation.

Correct withering is crucial

to the quality of the tea. If the tea garden takes trouble over the withering, it will preserve the green-leaf character in the China bushes; it is this which gives certain top quality Darjeeling teas that raisiny, must-catch-a-nose taste.

Following the withering, the juice is extracted by rotating presses and allowed to ferment. The leaves are then dried. But, here again, great care must be taken: if the heat is too great the juices caramelise, giving the tea a noticeable malty taste.

Fine teas: reader offer

Good tea is expensive. Few Britons are prepared to pay the price of obtaining top quality single estate teas, which are eagerly snapped up by the more discerning Germans and Japanese.

Consequently, the more interesting high-quality teas rarely find their way to British supermarkets and only occasionally will you find a tea such as Sceyok in even the best small grocer or delicatessen.

As a concession to Weekend FT readers, Newby Teas, a London tea importer, will provide the first 200 callers with a 100gm caddie of each of the following: second-flush Darjeeling (from Castleton and Jungpana), Oolong Peach Blossom (Formosa) Ceylon Uva (Assam) and second-flush Assam (Bukhail).

The price, including post and packing, will be £20 (mainland UK only). This compares with a normal retail value of £50. If you wish to take advantage of the offer, call 0800-136682 or fax 071-490 0405. Newby Teas, of Northburgh Street, London EC1 VDAB. Payment will be by cheque or credit card.

There will be an extra postage charge for readers outside the UK. Readers outside the UK should call 071-336 7033.

Do not ring Weekend FT direct.

Like vineyards, each tea garden has its own character.

There are 83 in the hills of Darjeeling, plus another 44 down on the Terai, or plain.

Terai tea is mostly big, black stuff made by the highly extractive CTC process, although there are a few estates, such as Nuxal Baru, which produce a wonderfully refreshing green tea. Real quality, however, comes from the hills.

About 20 miles south east of Darjeeling town is Goomtee,

where the south-facing slopes rise to around 4,000ft. At Goomtee, they are at pains to separate the different varieties of bush and process them apart. A good, second-flush Goomtee, where the highly prized shoots have accumulated more sap in their slower growth, often has a fruit aroma: peaches or mangoes.

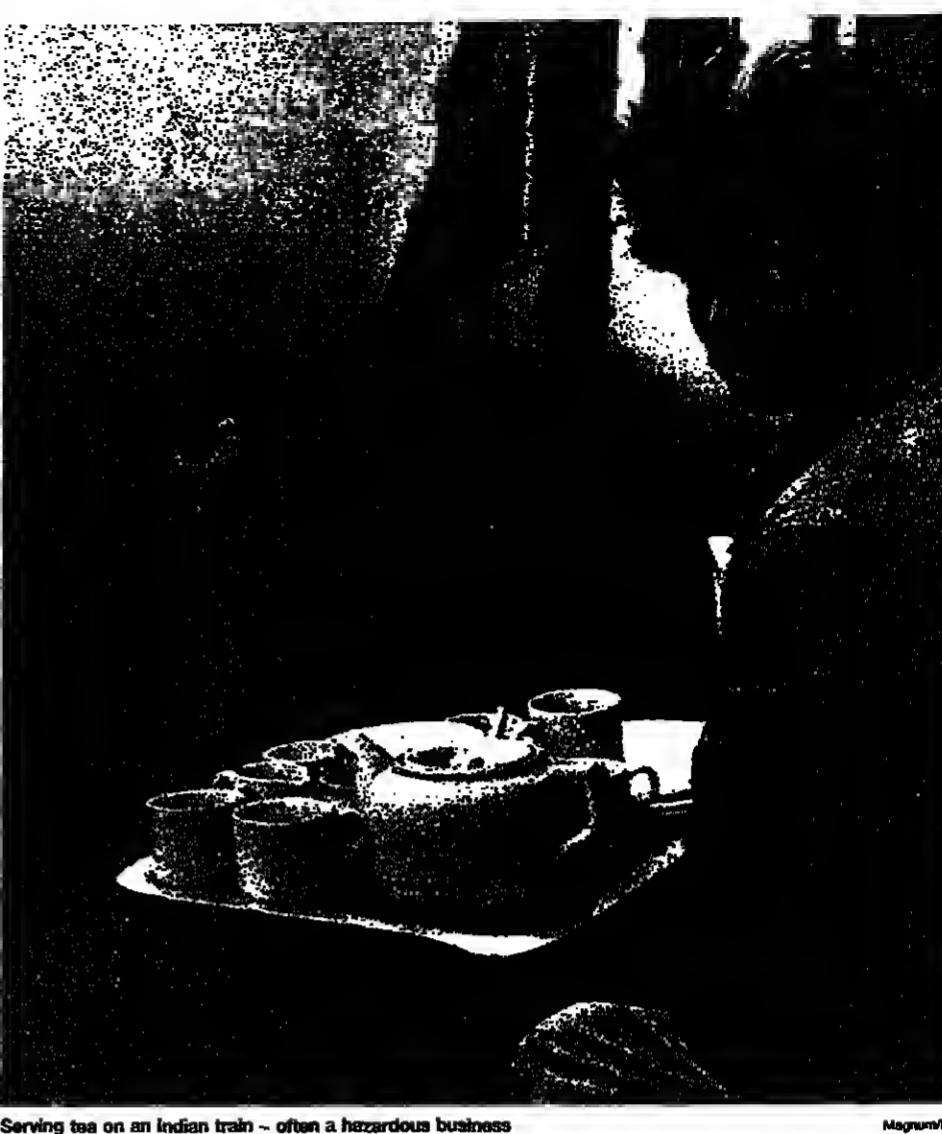
On the other side of the valley is Jungpana, one of the most sought after teas in Darjeeling. Jungpana is astonishingly remote: there is no road, and the tea needs to be brought over the valley to Goomtee before it can be loaded on lorries.

When I was there in June, some leopard cubs had been seen among the tea bushes, leading the pickers to conclude that an anxious mother would not be far away.

Second-flush Jungpana has a cult following in Germany, and the garden's favoured customers have convinced them to stop using pesticides on the bushes.

In general, the move to organic farming in Darjeeling is greeted with relief among the tea traders of Calcutta. The widespread use of nutrients in the past has worked the region's thin soils.

If the Germans appreciate the mellow, walnut flavour of the mellow, walnut flavour of the Himalayan foothills.



Serving tea on an Indian train — often a hazardous business

Magnum

Cookery/Philippa Davenport
Comforts of autumnPOTATO PIE WITH GREEN BERRIES
(Serves 6)

With all hope of an Indian summer now seemingly gone, this is the start of the season for comfort foods. Goodbye, lightweight snacks, and hello to meals you can sink your teeth into. Soon, we can expect the return of porridge to the breakfast table, with kedgeree as a weekend treat. Crumpets, toasted in front of the fire at tea-time, will follow along with a regular intake of steaming soups and good, old-fashioned stews.

As the days get colder, there will be calls for even more substantial offerings — such as sticky-rich oxtail, served on a bed of butter beans; braised lamb shanks with split peas or little green lentils; beefsteak, kidney and oyster pudding; lemon and treacle sponge; Sussex pond pudding; and bed-time mugs of hot lemon and honey fortified with whisky or brandy.

Such extreme remedies are not required just yet, though. While some things must be held in reserve for February, when winter's grip is at its iciest, mild soothers are all you need to maintain morale in these days of early autumn.

Potatoes and pastry sound too heavy by half, but this combination is more refined than it sounds: it satisfies but does not stuff you solid. Serve it tepid or, better still, just cold; indeed, it is recommended with cold roast game birds after cups of hot consomme at shooting picnics. Lemon-and-herb grilled chicken thighs and sautéed duck breasts are other meaty alternatives. Use the lovely old English potato called Pink Fir Apple if you can.

Ingredients: 1lb waxy potatoes such as Pink Fir Apple, La Ratte or Charlotte; 1.2 garlic cloves; a bunch of parsley (preferably flat leaf); a bunch of thyme; 12-14oz puff pastry (made weight); 1 egg yolk beaten; 4pt double cream.

Line a shallow 8-9in dish with just over half the pastry. Peel and slice the potatoes

thinly and chop the garlic finely. Mix them together with plenty of pepper, some salt, 6 tablespoons chopped parsley and 1½-2 tablespoons fresh thyme.

Pile the mixture into the tin.

Cover with the remaining

pastry, seal the edges, seal and trim. Knock up and scallop the sides and decorate the top.

Beat the egg with the cream and glaze the pie with some of it. Make a steam hole in the centre of the pastry lid and insert a piece of rolled card to hold it open.

Chill the pie for 20 minutes,

then slide the tin on to a hot

baking sheet and put it into an oven heated to 400°F/200°C (gas mark 6).

Turn down the heat immediately to 375°F/190°C

(gas mark 5) and bake for one hour until the pastry is puffed up and brown and the vegetables feel tender when pierced with a skewer.

Pour the rest of the egg-and-



cream mixture carefully into the pie. Discard the funnel of rolled card and bake for 10 minutes more. Cool the pie to tepid or let it become just cold before serving.

APPLE AND ELDER PLATE PIE
(Serves 6)

On September 29, according to country lore, Lucifer spits on blackberries to spite his rival, St Michael the Archangel, whose feast falls on that date.

Time to cook apples with hawthorn elderberries instead.

These tiny, jet-black fruits hang their heads heavily like Victorian beads when fully ripe. The taste of them is dark and mysterious: slightly sharp and cloying, rich and pungent (a world apart from the Muscat subtlety of elderflower blossom) and excellent for Sunday lunch puddings such as this.

Pick far more than you think you will need, as the fruit must be stripped from the stalks with a fork before weighing — and the stalks are surprisingly heavy.

Ingredients: 1½lb cooking apples; 10oz elderberries (weighed after stripping them from the stalks); the juice of 1 lemon; shortcrust pastry or puff pastry made with half a pound of flour, beaten egg to glaze; ½lb caster sugar; ½ pint creamy-strained yoghurt or fromage frais or a mixture of the two.

Bake on a hot baking sheet at 400°F/200°C (gas mark 6) for 35-40 minutes. Serve hot with the well-chilled sauce.

Peel and core the apples and put them into a bowl of water with the juice of the lemon to keep them white. Put the apple cores and peel into a saucepan with 5oz only of the elderberries, add 6-8 tablespoons water, cover tightly and simmer for 20 minutes, crushing the ingredients with a potato masher occasionally. Remove the lid and cook for about 5 minutes more to drive off some of the liquid — but take care not to burn dry.

Tip the contents of the pan

into a sieve placed over a bowl

and press to extract all the

flavoursome pulp and juices.

Sweeten the puree with 10z sugar. When cold, stir in the

yoghurt and/or fromage frais gently, and refrigerate.

Line a 9in to 10in pie plate with half the pastry. Dry the

apples, slice them and toss

them with the remaining 3oz

sugar and the rest (5oz) of the

elderberries. Heap the fruit

into the pie plate. Cover with a pastry lid. Seal, trim, decorate, and glaze with beaten egg and make with steam slits.

Bake on a hot baking sheet

at 400°F/200°C (gas mark 6) for

35-40 minutes. Serve hot with

the well-chilled sauce.

Munich Oktoberfest
Balmy nights, barmy place

Munich's Oktoberfest is not for the faint-hearted.

The beer is excellent,

and so are the spit-roasted

chickens, grilled pork with

cracking, charcoal-grilled fish,

salt-studded pretzels and sug-

ar-roasted almonds. But the

crowds can be intimidating,

and the noise overpowering.

The promise of some of the

world's best beer, plus the gar-

ish funfair attractions and

stomach-churning rides — not

for trying or even watching,

after downing the odd litre —

draw more than 6m people a

year to the field where the

world's largest beer festival is

held over two weeks from late

September. (This year's ends

on Monday, baving been

extended by a day to include

that day's German unification

celebrations.)

Organisers of such events

love to parade statistics about

the vast quantities of food and

drink consumed. Those for the

Oktoberfest are formidable: 5m

litres of beer, 753,000 chickens,

224,000 pairs of pork sausages

and 60 oxen.

When the weather is warm,

as it often is at Oktoberfest

time, the beer goes down with

an extra relish, its 5.5 per cent

alcohol content giving it more

of a kick than Bavaria's nor-

mal brews. Munich's six main

breweries — Augustiner, Löw-

enbräu, Spaten, Hacker-

Pschorr, Hofbräuhaus and Pau-

lauer — have their own huge

beer tents, with brass bands

hitting out compah music to

the swaying drinkers, striving

to hard to sing, talk or retain

control of their senses against the onslaught of noise and alcohol.

To any not steeped in the

Bavarian dialect, the jokes

shouted off from along our

bench by the well-oiled visitors

from the country were almost

incomprehensible — even my

Munich-born wife had to strug-

gle to understand them.

But, as I was

drinking Munich beer, as an antidote to communication failures, it is almost unrivalled. With anything less thick than a rural

Bavarian accent, the alcohol

can also act as a very effective

if short-lived, conversational

lubricant. After a time, it makes no difference anyway.

The beer does its own talk-

Andrew Fisher

CLARETS AND VINTAGE PORTS

PERSPECTIVES

Lunch with the FT

A house-trained polecat and a gentleman

Lucy Kellaway enjoys an old-fashioned English meal in the company of the 'Chingford skinhead'

When I told people I was having lunch with Lord Tebbit, some commiserated; others fore-

cast a stimulating occasion with a clever and amusing guest.

The former Tory party chairman and loyal keeper of the Thatcher faith is a man no one feels neutral about. He has been called the Chingford skinhead (he was MP for Chingford), a rottweiler, a semi house-trained polecat. He is also known as a politician with the rare ability to speak directly to the mass of the British electorate.

He had chosen to meet at Rules, in Covent Garden, central London, a restaurant that serves soup with lumps of Stilton and it is Yorkshire pudding the size of your plate.

I arrived early and was just reflecting that this was the perfect place for a jingoistic Briton, when a thin bespectacled man slipped into the seat beside me, quietly apologising for being a moment or two late. Small and modest, this was not the person I thought I had asked to lunch at all.

Eyeing him as he studied the menu carefully, I asked if he was a foodie. "Yes I am," he said. End of conversation. He then commented on how much he liked the menu's headings, "Furred game", and "Feathered game". When I recalled he said that there was nothing wrong with "Bugs Bunny in the pot", and claimed he was happy to "shoot, pluck and clean".

The waitress, who seemed not to know him from Adam, appeared to take our orders. True to form, he chose the Stilton soup, but followed it with salmon in a fancy shellfish sauce and chose half a bottle of Australian chardonnay of the sort you might associate more with Islington than Essex.

I told him that his secretary reckons he is whined and dined too much - Claridge's one day and the Savoy the next. "Yes I do eat out quite a lot," he said. Persisting, I asked if he enjoyed all this high living. "I think I just enjoy my life anyway. That's the key to it."

This was getting desperate. Each word was separated from its neighbour, delivered in a quiet monotone. Indeed, the volume was so low that had we not been almost the only diners in the place - he had requested lunch at 12 - it would have been hard to make out what he was saying at all.

He explained that the reason for the early hour was that on Tuesday afternoons he recorded a TV chat show for Sky television with Austin Mitchell, the former Labour MP.

I asked if he was happier asking the questions than answering them.

"I don't know really, they are both jobs," he replied. Which did he think is better at? "It depends on the circumstances."

I am sure Lord Tebbit did not mean to be unhelpful with these staccato answers. Unlike many politicians, he evidently feels no need to project himself as anything other than a regular bloke, neither does he believe in talking for the sake of it.

We started to discuss television

more generally, and for the first time the flesh and blood Lord Tebbit started to resemble the mythical one. He deplored the quality of modern drama and comedy, saying that nothing comes close to *The Two Ronnies* of 20 years ago. I mentioned the *Monty Python* repeats, and he looked sour. "They were the beginning of a culture that says if you

deal of discipline. Does he believe that children should be hit when they misbehave? I asked the question, confident of his reply, and he did not disappoint me. "Yes," he said. "Yes I do."

"I remember the last time I hit my younger son. He was about 16 at the time. After I had hit him, he looked at me, picked me up like a baby and said, 'there, there daddy'. I realised I had lost that particular battle."

The waitress brought the food

and he started to eat slowly and carefully, leaving the vegetables to one side.

I asked how he was enjoying his new life as a non-executive director, journalist and politician rolled into one. "It is like a badly chosen Chinese meal," he said. "Quite tasty but seems to lack a central theme." This was not the standard response from a former cabinet minister. Most pretend that life on the sidelines is fun, but Tebbit does not go in for such face-saving nonsense.

"I would rather be taking decisions and implementing them than be part of a consensus-forming mechanism," he says flatly. "But that was a different life."

His present political role - which consists of attacking the government on Europe, Ireland, crime and anything else that gets up to his nose - is apparently not to his liking. "Politics is a thing I've tried to give up many times," he says. But he seems constitutionally incapable of taking that step.

"I feel angry when I see things happening that are quite clearly going to happen, particularly when I had warned they would happen. Then I comfort myself by thinking I may feel that way, but what on earth does the former prime minister think?"

From here it was a small step to the woes of the British educational system. He told me a story about meeting a woman when he had been on holiday in Barbados a few years ago. She had grown up in Britain, but had returned to her home country because she did not want her children educated in an inner London primary school. With my child just due to start at such a school, I said that perhaps things were not as bad as all that.

He grudgingly agreed that some progress had been made "over the years" - unfortunately not - dead bodies of the educational establishment". He laughed a little at his remark. I laughed a great deal. Whatever you think of the views, the rottweiler delivery is terrific.

He started to talk with pride about his grandchildren, who, he said, were being brought up just as he brought up his children. This appeared to have involved a good

use four-letter words everyone is meant to fall around laughing."

He then started on television violence. "Kids learn how to behave the same way as dogs. They imitate the other ones in the pack. The pack they see most of is television."

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Norman Tebbit: whatever you think of his views, the rottweiler delivery is terrific

I tried to extract more plain speaking by asking him about the progress of the new Tory party chairman. He declined to take up the invitation, preferring to attack his party's lack of direction. "The government has too many issues on which it is facing in two ways at once. We have a very tough line on crime, but the prime minister personally intervenes to get two girls out of jail in Thailand on a drugs charge. Kids whose behaviour is thoroughly anti-social get rewarded with lovely holidays, whereas kids whose behaviour is good and decent don't get rewards at all."

"On Europe we learn two ways at once: we want to be more closely integrated with Europe, but do we want a two-speed Europe or not?"

Are we an interventionist government in industry or not? Where do we stand on the union of Northern Ireland?

He starts to reminisce about his old job as party chairman, and tells me that he was the "destroyers" screen that protects the captain's ship from attack". Everything is quite different now, he said, pointing out that that particular role does not exist. "The prime minister is a very modest man, and I'm not sure if he regards himself as a captain of the ship in that way." This did not sound like a compliment, neither was it softened by his insistence that he has "a good deal of affection" for John Major.

The greyness of today's political figures is part of a wider problem

he explained. "Huge mountain ranges never disappear in volcanic

explosions. They get ground down by glaciers and wind."

"What?" I asked, querying this departure from plain talk into grand prose.

"The Commons is in the process of being eroded because its power is going away," he went on. "Power has gone to the executive. It has gone outside to market forces, and now is going to Brussels."

There followed a long, committed speech about the nature of federal power in the middle of which he mentioned "an American with the unfortunate name of Clint Bolick". I smirked; he said it was "not lady-like" to laugh.

He told me that he had not always been an anti-federalist. As a pilot in the 1950s he had more in common with his international fellow pilots than with folk at home.

He told a story about a night he and the lads got drunk and how he planned to swap places with a Scandinavian pilot who took the same children of the same ages.

He glanced at his watch and said he must go. Apropos of nothing, he laid into Douglas Hurd, the foreign secretary, as he went. "He's not a foreign office secretary but a senior foreign office official," he said, and started ranting about people who live in houses with long front drives. "Those who have long front drives tend to be out of touch," he said standing up to leave.

I would be intrigued to meet his Scandinavian double. If he is out there, perhaps he would agree to have lunch with the FT one day.

Save me from Healthspeak

Michael Holman feels patronised by the language of Medical Correctness

Save me from Medical Correctness. Protect me from Healthspeak. Deliver me from the well-meaning lobby that seeks to bowdlerise and sanitise the language of illness and diversity.

Let me declare an interest. I have Parkinson's Disease. Cabin staff on airlines size me up in seconds. I make for my seat, unsteady on my pins, stumbling over the odd word, and displaying that tell-tale tremor. "What have we here," they seem to say. "He must have drunk half his fare in the Club Class lounge. One turn at the drinks trolley, and that's his lot."

I can cope with this. Wear a black armband, is my advice to fellow tremblers. The crew will then assume that you have been drinking to ease the pain, and proceed to press double whiskies on you.

And our do I mind taxi drivers who look the other way when I try to flag them down, as I stumble out of my office late at night. They suspect that I might bring up the one-for-the-road in the back of their cab.

But what I cannot abide is Medical Correctness, its patronising language, and its Orwellian overtones. Is there a reader with a heart so hard that they were not moved to laughter, or at least an incredulous snort, when they read that the Spastics Society is to call itself Scope?

Any day now I suspect the Royal Society for the Blind will call itself Vision, and the Parkinson's Disease Society will rename itself Horizon. Or possibly Horizon?

One can accept the concern that spastic has become a term of abuse; perhaps there is a case for a change of name. So why not the Cerebral Palsy Society?

This is dismissed as "an easy and obvious step" by the society. The term cerebral palsy is "limiting, medical and rather ugly and old fashioned". Scope, on the other hand, "carries a degree of weight and a feeling of progress and some other positive associations: opportunity, liberty, elbow room etc".

The public relations campaign to replace its universally recognised brand name by this vacuous alternative will, by the way, cost £750,000.

I fear the malaise is spreading. The Parkinson's Disease Society is also tampering with language. Please do not refer to people with Parkinson's as "victims", or describe them as "afflicted" by a "crippling" condition, wrote the society's press officer in its newsletter last year.

These words were "judgmental", and bad for morale, readers were told. They made us tremblers feel "helpless, bitter and unattractive". You should not say that someone "cannot walk", instead say "uses a wheelchair".

This suggestion did not go far enough. I wrote in a facetious letter. "Words such as crippling are not only judgmental, they are descriptive - two disquieting features of far too many words and phrases in the English language."

"Clearly it is profoundly offensive to say that someone 'cannot walk'. But to say instead 'uses a wheelchair', is unacceptable," I argued. "Let us use the phrase 'enjoy enhanced mobility' to a second position."

Alas, my letter backfired. The society thought I was serious.

But I will return to the fray, for the society recently launched what it calls an awareness campaign. Its theme suggests that the society's left hand does not know what its right hand is doing... rather like Parkinson's Disease, come to think of it.

The newsletter describes how the television advertisement "shows a footballer striking the ball into the back of the net... fans erupt in a sea of scarves and flags... cameras cut to a solitary figure who makes an activity around him... it depicts the vivid and compelling eyes of someone with Parkinson's Disease, looking out from a face which seems to be carved out of stone. Parkinson's has turned this person into a statue."

Well, it does not do much for my

morale, I can tell you. If it raises awareness, however, and gets research funds rolling in, I'm all for it.

But the society cannot have it both ways. If it does not want Parkinson's to be called a "crippling" disease, it should not use a face of stone-like immobility as a shock tactic to elicit sympathy.

Drop the euphemisms, because they do not help. They do not fool the sick, and they mislead the healthy.

Sufferers and victims, blind and crippled, let us raise our canes, rat-

er our Zimmer frames, roll out our wheelchairs, raise our voices, and together cry: "Down with Healthspeak! Away with Welltalk!"

And speak up you silent masses, who are sound in wind and limb, heart and mind. You may be inhibited for fear of being thought intolerant, unsympathetic or insensitive - but it is your language that is being tampered with.

Beware the day when Medical Correctness triumphs, and "able bodied" and "healthy" and indeed, "fit as a fiddle" will be words that incite rebuke.

"How are you feeling," your GP will ask. "Not physically challenged, thanks doctor."

Medical Correctness is motivated by compassion, but set by a dangerous illusion: that if you change words, you change reality.

Truth of the Matter

The ghosts that lie concealed

Nigel Spivey on a power mightier than the pen

Beauty does not qualify you as a novelist. Dame Iris Murdoch will take no offence if one describes her appearance in terms of elderly grunge. Her husband, Booker Prize judge John Bayley, matches her aptly with his professorial bag-gages.

Why should the essentially cerebral, hunched and private business of writing demand painted nails and trim thighs? And yet there is no doubt that an aura of pulchritude helps.

Joanna Trollope is on view in every bookshop window, in a misty vignette of blood allure. Donna Tartt pouts on her dust jackets like the classic *belle dame sans merci*. Downmarket, Jackie Collins oozes ripe glamour; upmarket Anita Brookner is fading, but still has the air of an arch schoolmistress at whose feet one would gladly sit. And for Jilly Cooper - her convent girlly radiance beamed above the frightful scrummage that is *The Spectator's* annual party: she slew me with a wink.

Since looks sell books, it is not surprising that the superlatives of all supermodels, Naomi Campbell, should have become an author. Such is the trivial



Publishers are happy to have the likes of Naomi Campbell on their lists



Margaret Thatcher: the ghosts reveal their hand



Tony Andrews

rarely revealed how far the verses of Keats - a paradigm of isolated, hermetic genius - were altered or "improved" by his friends: the progress to "fair copy" of his long poem *Isabella*, for example, is strewn with corrections and interpolations from an unsung associate called Richard Woodhouse.

Not to mention, of course,

seven authors (primarily his wife, Harriet). The first-page pieties of thanking spouses for support probably conceal masses of ghost-writing, and there is scarcely a book in the whole of English literature which will not have been in some way shaped by its printer, publisher or editor.

work was done by Ford Madox Ford? Which of Wordsworth or Coleridge was the more responsible for *The Ancient Mariner*, and of Eliot or Pound for *The Waste Land*? And did Bacon write Shakespeare?

The cult of the author is a powerful force: the local economy of Stratford-upon-Avon will collapse overnight if it is ever demonstrated that Bacon ghosted the Bard. Even when we know that an author such

as Homer can never have existed in any proper sense, we still like to cherish an image: blind, old, wise Homer, who would have a cottage to visit if only we could find it.

Knowing who wrote a poem or a story is, for many people, crucial to whether or not they like it; no wonder the Sunday supplements like to tell us what Peter Ackroyd has for breakfast, and publishers are so happy to have the likes of

Madonna or Naomi Campbell on their lists.

But in a wider philosophical context, it does not matter whether young Naomi Campbell wrote a story called *Sworn* or Nigel Spivey wrote it for her.

As French literary theorists would put it, there are no such things as "authors, only "author-functions". Authors, as names in a catalogue, are useful for christen-

ing a particular discourse, or placing some historical constraints on what their stories might mean. But ultimately their own intentions belong to oblivion. The supermodel author and her ghost are equally bound to be effaced.

The discourse of the novel belongs to greater powers than an individual can wield: social systems, institutions and customs rule us all, including the literary genius.

OUTDOORS

For those fortunate motorists allowed by their employers (or accountants) to drive cars in the luxury class, it has been quite a week.

First, a new Range Rover to replace the 24-year-old classic that became life as a dual-purpose vehicle for farmers and is now put forward as an alternative to a Mercedes-Benz S-Class, BMW 7-Series or a Jaguar. Second, a new Jaguar XJ series — perhaps the last of a line that the late William Lyons, who founded the company, could himself have styled.

The new Range Rover is recognisably descended from the original. But it is more rounded, has bigger windows, a gigantic boot — the spare wheel now lives under the floor — and standard air suspension, giving it four ride heights. It can lower itself to make entry and access easier, squat just a little for motorway cruising, come up a bit for minor roads and crossing fields, and go higher still for extreme off-road use.

On the highway, it rides and handles better than any other on/off-road vehicle, with heavy beam axles back and front. And it is incredibly agile over really rough country — although only a handful of people buying this mobile drawing room will ever discover that.

Engines are four-litre and 4.6-litre versions of Rover's own everlasting V8, plus a 2.5-litre, BMW-sourced, turbocharged and inter-cooled diesel. With the petrol V8s, automatic transmission is standard. The five-speed manual diesel — for me, the best all-rounder, with an up-to-38 miles per gallon (10.81/100km) consumption — will be joined by a two-pedal diesel version next summer.

Only short road mileages could be driven in the Range Rovers at their launch in south-east England, so the experience served only as a taste of things to come. But I learnt enough to be convinced that if you feel you must have a 4x4 as a road car, and your company can afford to pay between £31,950 for the 4.0 V8 and £43,950 for a fully-loaded 4.6 HSE, then this is the one to have because it is the best.

Taking part in the launch of the Jaguar XJ series was a motoring enthusiast's idea of heaven. There were four new



The best: if you must have a 4x4 as a road car, the new Range Rover 4.6 HSE is the one to go for

Motoring / Stuart Marshall

Flying start for dynamic duo

On test: a new Range Rover and Jaguar's latest

luxury cars to drive as hard as one's conscience (and wandering sheep) allowed in the wide open spaces of the Scottish Highlands. (But not on the dangerous A9, dotted with warnings of speed cameras and unmarked police cars.)

First, the XJR — a £45,450 super-charged, 326 horsepower four-litre with massive pulling power at low speeds and a real flyer for the businessman who feels he is not yet old enough to have a Daimler V12. It offers super-car muscle with refinement, ease of driving, and seemingly limitless grip from the massively wide 45-series Pirelli P Zero Corsa tyres.

The most remarkable feature of this fiery new Jaguar is the way the chassis engineers have combined super-sports handling with the marque's traditional limousine-ride

comfort and silence. The only clue that the tyres are getting on for a foot wide is their tendency to run flat — that is, dodge around slightly from side to side on certain kinds of road surface.

Jaguar engineers were urged by the marketing people to stiffen the suspension to make the car more overtly sporting (for which read less comfortable). They resisted, and good for them.

The XJR has more cornering grip than can possibly be used on public roads, yet it does not thump and bang over potholes. Its steering, while being much more direct than on past Jaguars, is never twitchy. It was, I thought, one of the best luxury cars, regardless of price, I have ever driven.

The £34,450 four-litre XJS 4.0 Sport (249 hp) lacks the

XJR's super-charger and 17in wheels but, standing-start acceleration apart, seemed to go almost as well. And the £53,450 XJ12 (318 hp) was everything one expects of a chairman's carriage, with apparently unlimited performance on tap.

Most user-choosers will go for the least-expensive, 219 hp, 3.2-litre XJS, a best buy at £28,950. They need not feel deprived, though. It might not have the sling-shot acceleration of the more muscular versions but there is more than enough power to cope with any conceivable situation. It cruises in near silence and has Jaguar's super ride.

I am told the Jaguar's enlarged boot will now take two sets of golf clubs in their trolleys. We shall see — in the very near future, I hope.

Photograph by Steve Baker

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The cool, wet weather has rescued gardens for a suitable autumn finale and, with renewed faith, I am planning for next spring at this crucial moment. We have to stir ourselves now if we do not want a bleak April, waiting for leaves to return to the trees. We must also stir ourselves if we do not want a drab house in February.

Let me first pass on a lesson that is potentially gratifying because most of the nurserymen have not yet woken up to it. (There is not a word about it, either, in any of the Royal Horticultural Society pamphlets, literature and encyclopedias which have been fast-breeding recently.) As a result, I can tell the trade how to double its market and make us all spend twice as much for better results.

It should start telling us that when we plant bulbs for use in the house, we should pile them up in layers, one above the other. I mentioned this revolution last year, having heard about it from that revolutionary organisation, the Women's Institute. I can now confirm that it works.

Underneath last year's hyacinths, we planted a lower layer of the white tulip *Purissima*. The hyacinths flowered late in January and, when we had cut off the dead pieces and reduced the length of leaves by half, the tulips appeared magically in bud and doubled the room life of the entire planting.

Boldest souls put a layer of crocus on top of the hyacinths, and some of the robust and cheery yellow-flowered narcissi *Soleil d'Or* underneath. One lady stockbroker, with a very deep container, went further. She wrote to say she spent a happy Sunday packing in crocus, hyacinths, narcissi and, lastly, the yellow-flowered lily tulip, *West Point*, which surfaced through the debris late in March and gave a fourth season in a single bowl. She considered the result to be the one investment she made last autumn which was actually worth more by late March.

Like all revolutions, this one is expensive, but it doubles or quadruples your return on time and space. But when I first heard of the WI suggestion, I thought it must be a joke. Surely the shoots of the narcissi would dislodge the hyacinths and the tulips would be stuck underneath in traffic jam? But no.

The key to success is a deep flower pot. The cheapest are plastic, but they are even more hideous than the average run of glorified cache-pots from a country gift shop. Indoors, I concealed them or placed directly into the deep, fluted pots of off-white china sold by the Reject Shop at up to £3 each. While these have no holes in the bottom, this did not seem to matter last year because I prepared the soil carefully and minimised watering after planting.

The old way of minimising watering was to use a special bulb fibre, full of oyster-grit and willing to retain a soaking

Gardening Stirred for spring

The cool, wet weather has rescued gardens for a suitable autumn finale and, with renewed faith, I am planning for next spring at this crucial moment. We have to stir ourselves now if we do not want a bleak April, waiting for leaves to return to the trees. We must also stir ourselves if we do not want a drab house in February.

Prepare the soil in a separate container by watering it, mixing in the crystals like ground almonds into a Mediterranean cake: then, wet the mixture lightly in order to activate the jelly. Next, pack it into the bowls, making sure that you have not over-jellied the mixture; otherwise, the bulbs will rot.

Robin Lane Fox offers a tip on how to make the most of your bulbs

Follow the usual rules: put the bowls in a dark, unheated cupboard or frost-proof shed where they can develop roots; the crystals should mean there will be no need for more water. Bring them into a cold room after two months, when the central layer of hyacinths should already be showing about 2in of yellow-looking growth above the soil. Give them a week or so in which to develop away from central heating, then space out their entry into your main rooms.

Layered bulbs will not flower for a second season indoors, but they seem to recover out-

doors and perform no worse than hyacinths which have been growing in the usual segregation. Those of you marooned in London or a flat without a serious garden ought to enjoy this multiplication of results.

Outdoors, my plans now regularly concern two families to which I thought I had waved goodbye not long after this column began. The bother of growing one's own wallflowers and forget-me-nots was simply too much for today's academic part-timer: anyway, I began to tell myself how bright those mustard-yellow wallflowers looked on Bratton-in-bloom town roundabouts.

Lastly, the forget-me-nots I

have tried to live without them but I miss them too much, just as the name tells us we should.

Again, if you hunt around, there is sure to be a big grower for the bedding trade nearby who will do a deal on pre-grown plants in a serious quantity.

My lesson here is much less forgettable: if you have the choice, always go for the smaller *Indigo*, not the taller and looser *Royal Blue*. *Indigo* is so much brighter, deeper and more remarkable: it is twice the plant and, only when I had been unfaithful to it for a few seasons, did I realise how much better it was.

Once again, a few groups go a very long way; and, as it is so compact, you can fit it into smaller beds near the house to flower in those weeks before everything starts running wild.



A boon to borders: wallflowers have an exquisite scent and can double the visual life of a flowerbed

Fishing / Michael Wigan

Trout to stir the soul

When Darwin landed on the Falkland Islands in 1834 he was unimpressed. Wild cattle roamed a trackless waste otherwise devoid of mammal life. But Darwin was not a fly-fisherman.

Even if he had been, the meandering estuaries and thin, curling rivers would have stirred no tremors in his casting arm, for the only freshwater fish in the Falklands were two small species of no account. The estuaries were dominated by hubbous-headed, slim-tailed grey mullet which slipped in and out on the tide, not a sportsman's target.

Darwin's genius lay in looking back in time, not forward. Even the pioneers of the 1940s, who changed the Falklands fishery, had no idea what their actions would produce. Brown trout eggs were imported from England and Scotland, making the 8,000-mile sea journey in trays of ice. On arrival in sub-Antarctica they were transferred to milk-churns, strapped to horses, and hauled to the interior. There they were put in the sweet waters of the slow-moving, spring-fed rivers.

Brown trout are a resilient, adaptive, tough and invasive species. Originally found only in Europe, today's map reflects their colonisation of the rest of the globe. Wherever Europeans went they took fish with them,

and there are now naturalised populations as far apart as Japan, New Guinea, Peru and Pakistan.

Within 10 years of the brown trout introductions, Falklanders found themselves catching trout which had turned silver and grown immeasurably bigger than their impoverished brethren.

It is a curious fact of the brown trout's sea-going urge that it principally relates to the female: males stay at home. When the female returns, silver and big and bursting with ova from the tremendous larders in the salt, two or three share a communal nest. The diminutive resident brown male can then fertilise the eggs of several females.

Enough biology. The proper concern of all self-respecting Falklanders is how to attach this gleaming silver maiden to a fly manipulated by a fishing rod. The answer is, as it should be, with difficulty.

The really big fish in any migratory run need special treatment. In the Falklands the sea trout run into rivers from January until the end of the fishing season in April.

The best fishing month is February. But the big fish tend to run together, towards the end of the season, and waste as little time as possible in freshwater. On the Charters river, in West Falkland, ghillie Tony Blake said he and Alison Faulkner had seen sea trout so big they could have eaten her son-breaker.

Blake is a fishing phenomenon himself. Everything that

happens as you fish the pool under his eagle-eye relates to his search for the big fish. A 2lb trout jumped. He said: "Right. The big fella won't be here. He would have chased that minnow out. Try there." I did. He was there.

Meantime my fishing partner had caught 27 sea trout, averaging 2½lb, in three hours.

Blake particularly likes the story of the American fly-dresser who came to report on which of his 200 flies Falklands sea trout would take. "How are you getting on?" Blake inquired. "Badly," replied the American. "They take them all."

If the Falklands was situated where the Canaries are, British fishermen would be tramping the grass flat on the banks. As it is, virtually no one goes there.

■ For more information: Go Fishing Canada, Swan Centre, Fishers Lane, London W4 1RX. Tel: 081-742 3700.

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SPORT

Golf

Autumn days in the McCormack empire

Derek Lawrenson greets the start of IMG season in Europe

Few people sit on the fence when Mark McCormack and his company, the International Management Group, are the subject. In Arnold Palmer's biography, written by Larry Guest, the author headlined the chapter dealing with IMG: "Darth McCormack and the Evil Empire".

The European tour, by contrast, swoons at the sight of the man. If it is autumn, it must be time for Mark McCormack month. Last week we had the IMG-promoted Lancome Trophy. This week it is the IMG-run German Masters.

Over the next fortnight, the Dunhill Cup at St Andrews and the World Matchplay championship at Wentworth take place. McCormack devised these tournaments. He promotes them and commentates on them for the BBC. The players he manages will be there. During the Dunhill Cup he will chair a committee on the Sony World Ranking, which he devised and has run since it began nine years ago. The ranking is backed by the game's ruling body, the Royal and Ancient, which allows McCormack to handle the television rights for The Open. Is there any area of the professional game outside his reach?

McCormack did a lot for golf in

Not if there is the potential to make money. He has enormous influence over both the R&A and the European tour. There is no questioning his position as the most influential man in golf.

His genius lay first in recognising, and then exploiting, Palmer's charismatic appeal.

In doing so he changed golf from

the 30 years after he teamed up with Palmer at the start of the 1960s. (He was also heavily involved in tennis, but that is another story.) No one, indeed, did more. But can the same be said today?

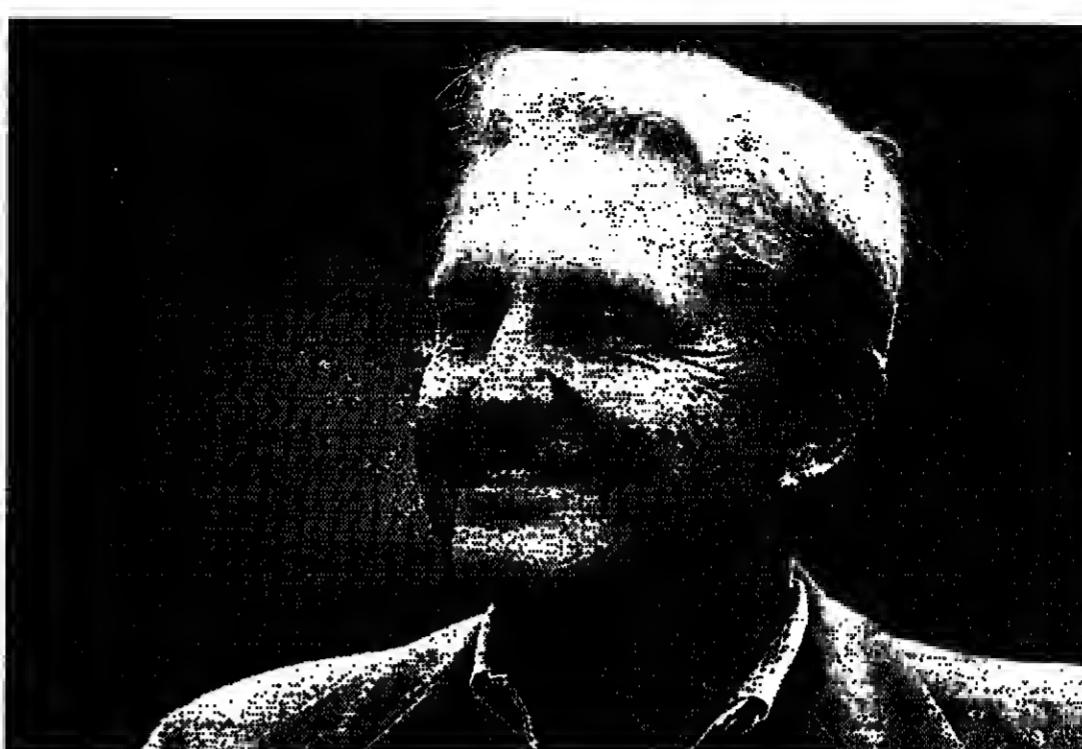
There are many who believe his empire is now hurting the game. Certainly, with such power, there is the potential for doing so.

The Sony Ranking, for example, is run by the same company whose job it is to promote some of the top players and who gain contract endorsements on the strength of them being in the top 10.

And in the World Matchplay championship, Seveanira Balles, the most popular player in Europe, but not non-IMG, did not receive an invitation until one of the original invitees dropped out.

At the same time, Brad Faxon, winner this year but an IMG man, and John Daly, 76th in the world rankings, but a player IMG would desperation like to promote, were both on the original list.

IMG promotes 10 events in Europe, offering the tournament sponsors such top players as Nick Faldo, Colin Montgomerie and Bernhard Langer, whom it manages. It then claims appearance money on behalf of its clients and takes the percentage which it is entitled to



Golf in his grip: Mark McCormack is still powerful in Europe

David Cannon

from all their tournament earnings, whether IMG-sponsored or not.

IMG vehemently denies that its players' schedules show a bias towards IMG events. Discounting The Open and the tour's flagship event, the Volvo PGA Championship, Faldo has played in just one non-IMG tournament in Europe this year.

It was McCormack who came up with the idea of defacing every tee at the Open with sponsors' billboards. It was McCormack who asked so much for Open television rights that Swedish television refused to pay, and so viewers there missed Jesper Parnevik's brave stab at winning the sport's hue ribbon event.

There is evidence that the players are growing tired of IMG. Two years ago Greg Norman left, his new manager, Frank Williams, said the Australian was tired of "hidden agendas: you know, IMG making deals like we'll give you Greg if you give us TV rights".

This year, Nick Price left, making it two Open champions in a row.

The good young players are also steering clear. Ernie Els, Jose-Maria Olazabal and Phil Mickelson all chose other management groups.

Many are put off by the terms (IMG takes 10 per cent of prize money and 25 per cent of endorsements). Faxon is McCormack's leading US player, a far cry from the early days when he had both

Palmer and Jack Nicklaus. No wonder he is assiduously courting Daly.

McCormack, uncharacteristically, found himself on the back foot this summer, trying to counter reports concerning the decline of his American fortunes. He revealed that he had had offers from Rupert Murdoch and Phil Knight, the owner of the Nike sports company, for IMG, but said there had been no serious discussions.

In Europe, however, he remains omnipotent, and talk of a crisis is surely fanciful. He will enjoy the next fortnight as his British tournaments take centre stage and, it has to be said, there will be no shortage of spectators who will enjoy them as well.

Cricket Around the world in 80 Tests

The West Indies cricket team will leave the Caribbean for India in a few days, starting a global trek which will only halt, at least temporarily, in England at the end of the summer. By then the team will have had four tours, one of which will be at home, and will have played 15 test matches, and between 25 and 30 one-dayers, depending on how successful they are.

Such a hectic schedule is unprecedented in modern cricket, and comes after a full English season for most of the leading players, which followed a home series against England. After India, the West Indies will go to New Zealand, hurry back home to meet Australia, and then travel to England for six tests in the summer. It is hardly surprising that the West Indies are without four stars for the tour of India. They risk playing the rest of the squad over the next year.

There are many reasons for so much cricket. The West Indies are a drawing card. Names such as Brian Lara and Curtly Ambrose guarantee good crowds. And good crowds warm the hearts of cricket administrators, and fill the meagre coffers of some boards, not least of the West Indies. The financial viability of home tours is uncertain because of the relatively small grounds and small crowds in the Caribbean.

West Indian players apparently do not mind. Money for cricketers, particularly for good ones on consistently winning teams, is significant.

"A cricketer's earning life is relatively short, ending in the middle 30s if one is lucky," said Alan Rae, who opened for the West Indies in the 1940s and early 1950s, and who is now a lawyer in Jamaica. "So they have to secure a firm financial

Canute James on the problems of the weary West Indies team

base to ensure a good standard of living to look after their progeny in their old age."

There are, however, obvious dangers to making so many runs while the sun shines. It is already telling on the West Indies who go to India, and perhaps to New Zealand, without several of their most experienced players.

For the second time in nine months, Richie Richardson, the captain, has been forced to rest because of fatigue.

Also missing will be Desmond Haynes, an opening batsman. Ambrose, who is having an operation for a shoulder injury, which could well be the result of too much cricket, and Winston Benjamin, another fast bowler, who is being disciplined following an off-the-field incident in Antigua during the final test of the England tour.

India's bowlers may regard Brian Lara with more than passing concern, but batsmen such as Sachin Tendulkar, Vinod Kambli and Mohammad Azharuddin may see the inexperienced bowling support for Courtney Walsh as a chance to improve their averages.

In spite of the West Indies' record and seeming invincibility (they have not lost a test series since they were beaten by New Zealand in 1980), it will be difficult for a weakened and tired team to defeat India, one of the better test teams, away.

"India will definitely have to consider themselves favourites," says Michael Holding, the former West Indies pace bowler. "Without Ambrose, the West Indies bowling attack cannot consistently destroy the Indian batting. I do not see any West Indies bowler who is going to give the Indian batsmen sleepless nights."

The combination which could defeat the West Indies in the next few months - too much cricket, lassitude, a weakened team and improving opposition - could also threaten the team's earning power. The West Indies are attractive only as long as they are winning.

"There is an obvious danger to the players' health from such a hectic schedule as the one the West Indies are undertaking," says Rae. "The players can also lose their edge from too much cricket." Could he have withstood such rigours? "Certainly not. I went through this at a slower pace and I could never have played county cricket for more than two or three years."

Sailing

Umpires under siege in La Rochelle

Keith Wheatley describes the squall that has disturbed the match-racing world championships

On-the-water umpiring has been a vital part of sailing's progress into a modern, readily comprehensible sport. From America's Cup to the Olympics, the sight of inflatable chase boats pursuing competing yachts and referees dispensing instant justice has become a familiar sight.

La Rochelle, venue for this week's world championship of match-race sailing, has now witnessed the logical next stage of that evolution: abuse of the umpires and the subsequent banning of a leading competitor. It is an uncomfortable new era for a sport that still has an intimate and Corinthian feel to it.

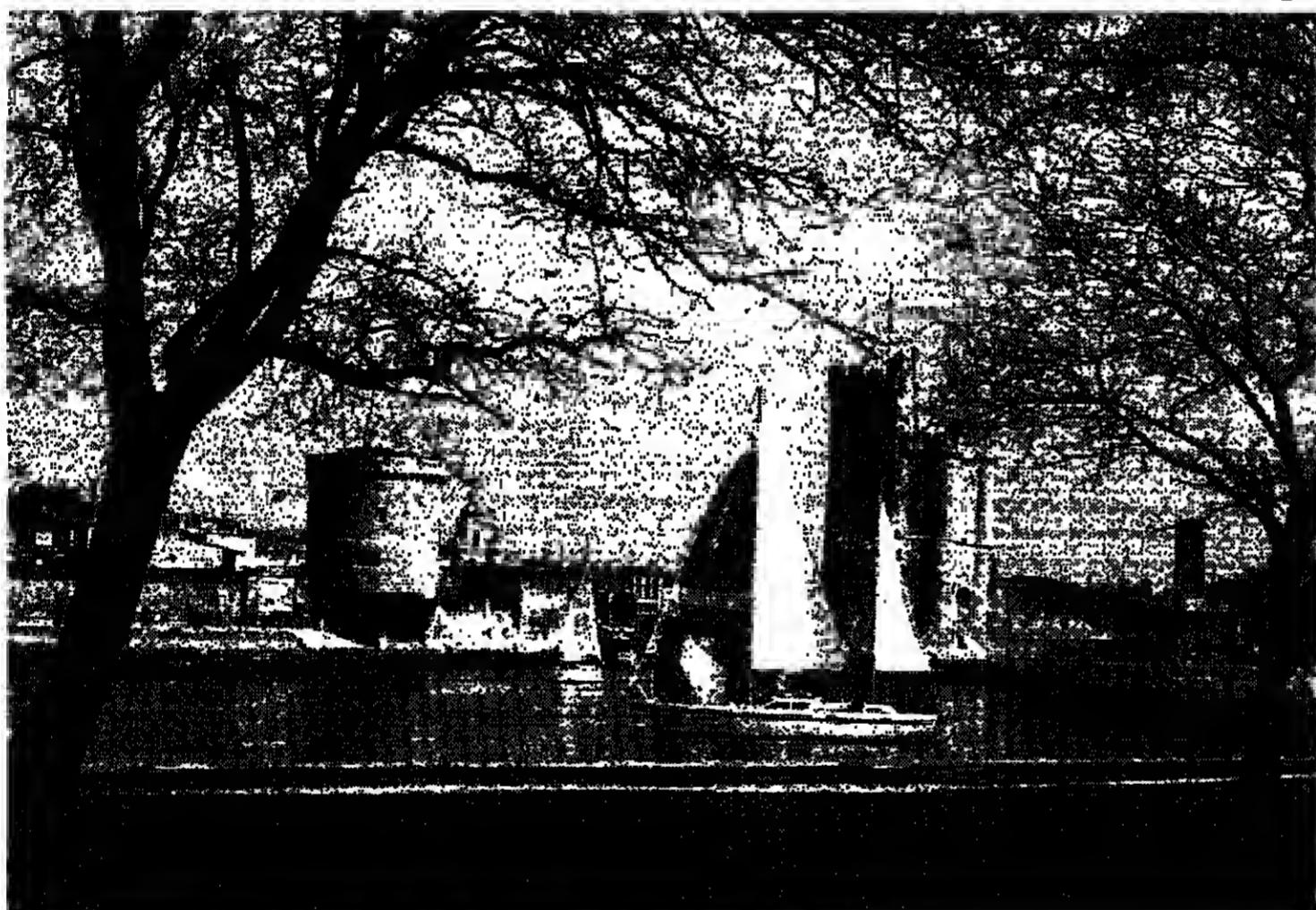
Chris Law is the British helmsman who broke through the last taboo. After shouting criticism at an umpire who gave him four penalties in one race, he was summoned before a panel of the International Jury and, according to its published finding, continued his tirade during the hearing. The verdict was "gross breach of good sportsmanship" and disqualification from the regatta.

Law, who has already won two prestigious events, the Congressional Cup and the Royal Lymington Cup, this season, is hurt but largely unrepentant. However, he is sufficiently disillusioned with match-racing to announce his retirement from a sport where he was ranked sixth in the world.

"I obviously have an explosive McEnroe-type approach but none of it is malicious or personal," he explained in hurt tones the morning after his expulsion. "In 20 years of competition I don't think I've deliberately done anything with those motives."

The sport needs personalities, it needs characters. My evocative, passionate way of sailing a boat has been described as exciting often enough."

Nemesi came in a match against Bertrand Pace, the dual round-robin part of the regatta. It was extraordinarily close, with the boats only feet apart. This was more remarkable since Law had already collected and executed two penalty turns before the short race was half-over. According to the



Emboldened again: the sailing at La Rochelle brought a dispute which ended with British yachtsman Chris Law suspended

with a leading Cup challenger and experience of the event going back many years.

"There is a definite advantage going to these events with a crew that you are already sailing with regularly and at a high level," said Cayard. "There is also an extra motivation among the skippers. You are trying to establish a psychological pecking order that you will take back with you to San Diego."

Cayard's precise role next year is still uncertain. He recently parted company with the French team after financial disagreements. Cayard, who has dual French and American nationality, also has an offer to race aboard Stars & Stripes with Dennis Conner.

"I've also had approaches from the TV companies," he said. "It would probably make me more money than sailing on someone else's boat. But once you've been in there it's hard to stay out of the Cup."

In 1992 Cayard was skipper of the Il Moro campaign, headed and financed by Raul Gardini, the late Italian industrialist.

Rod Davis is the skipper who has come out of La Rochelle looking strongest. Rocket Rod has 15 wins out of 18 starts in the round-robin series and looked untouchable. His crew, including three-times laser world champion Glenn Bourke, are all senior members of the One Australia campaign to take the America's Cup back Down Under.

Davis is the ultimate mobile professional among professional sailors. He was born in San Diego and raced as skipper for the US in the 1987 America's Cup, for New Zealand in the 1992 event, and now Australia. Conner christened him "yachting's Benedict Arnold", but Davis is too relaxed about virtually everything to mind too much.

Having been undefeated during the first day of the regatta here, Davis was asked how he explained three losses on the second. "I predicted that no one would go through undefeated," he explained. "We just decided to take our beatings now, rather than on finals' day."

by a legion of agents, lawyers and accountants; and they are members of stronger unions. Players want their share of the spoils, and are willing to fight for it.

The owners have changed greatly over the years, too. Today, they are likely to have fewer ties to the local community, less respect for tradition and more interested in making a profit. They are also less willing to share the revenues among each other for "the good of the game", and more willing to stand up to the players.

The result is more confrontation, and less compromise.

Finding common ground between the two sides will not be easy. Some of the country's best minds have struggled with the issues that crippled the baseball season, but no one has come up with a remedy. The commissioner of ice hockey is a clever, level-headed lawyer, yet he is ready to close down the sport just when it is on the verge of winning over a new generation of fans.

There is another factor behind the dire labour relations in American sports: the changing natures of players and owners.

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Sport in the US/Patrick Harverson

Three strikes, you're all out

official report, when the umpire's flag went up to give him a third penalty, Law shouted abuse at the official.

That in turn led to a fourth penalty, whereupon Law turned to the boat carrying the chief umpire and shouted: "You lot are wrecking the sport."

This was almost certainly his undoing. The whole concept of on-the-water umpiring is both new and tough to organise. Providing a chase boat (with driver) plus

umpires for each pair of yachts in a match-race regatta is expensive and difficult. Even ex-sailors who are accustomed to sitting on protest committees find instant judgments on-the-water hard to make. Many international level sailors would agree that often decisions are hasty and wrong.

"The standard of umpiring is not high at all. It does not come close to what is required," said Law, who readily admits to a technique of pushing the arcane rules of match-

racing to their limit. Where he differs from his peers is being unwilling or unable to accept the rub of the green.

"I have a problem with authority that I don't respect. It got me into trouble at school and it's certainly got me into trouble here," admitted Law, whose sailing career has had more than its share of setbacks.

The final irony is while he was in La Rochelle, Law received an invitation from the Sydney 86 campaign for the 1988 America's Cup and Peter Gilmour - has both a role

as helmsman on their yacht. The Cup has appointed as its chief umpire for the four months of racing off San Diego one John Doerr, the same official in charge this week at La Rochelle.

The first challenger races for the America's Cup are less than four months away and it has provided a distinct subplot to events at the championship at La Rochelle. Each of the four semi-finalists - Rod Davis, Paul Cayard, Bertrand Pace and Peter Gilmour - has both a role

as helmsman on their yacht. The Cup has appointed as its chief umpire for the four months of racing off San Diego one John Doerr, the same official in charge this week at La Rochelle.

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Instead the owners and players will direct their highly-developed competitive instincts to beating each other, even if they risk losing everything else in the process.

Yet culminate in a lockout. If the National Basketball Association season were interrupted before the year's end, the only professional sport left would be American football. But even in the National Football League, all is not well. Both players and team bosses are struggling to come to terms with life under the NFL's new salary cap - the league-wide ceiling on team pay that the players' union and management accepted for the first time this year.

In order to keep team pay within the cap, clubs have been forced to jettison veterans or cut their salaries dramatically, and put their faith in a larger-than-usual number of untested young players. This has made a lot of players and team managers unhappy. Many now wish they had never agreed to the salary cap.

What is so frustrating for the

fans is that baseball, football, basketball and ice hockey, basketball and football: how best to divide the spoils. More specifically, although revenues in each sport have been rising steadily since the early 1980s, player salaries have been rising even faster, and the owners, who have fuelled the rise with their eagerness to pay ever increasing amounts to star players,

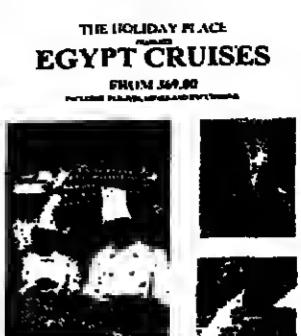
want to put a stop to it. To limit the rise in salaries and keep more of the revenues for themselves, the owners in each sport have either imposed, or are seeking to impose, a salary cap on the teams.

The players, naturally, do not like the idea of accepting a limit on what they earn.

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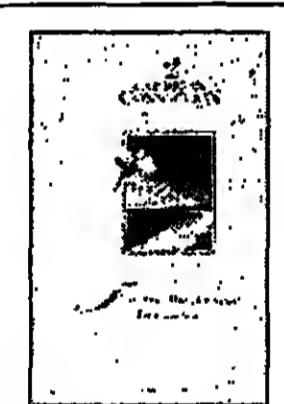
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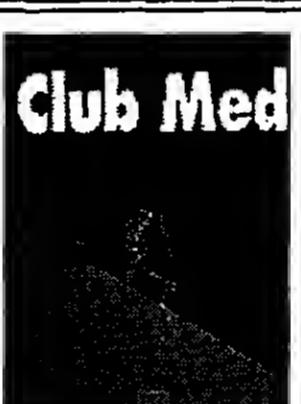
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BOOKS

The dinner party had been a fairly tame affair. As the Irish evening light faded, topics would momentarily flare into life, then, like rainbows, evaporate as sentences were left unfinished and mouths were delicately wiped.

But then someone mentioned De Valera. A small, elderly gentleman, whose only contribution to the evening had been a hearty burp over the soup, sprang to life.

"De Valera was a cantankerous, humourless old bofflock," he said, his pudgy little legs kicking the air. "The worst thing to have happened to this miserable little country since Cromwell. That man (here he brandished his fish knife, sending a piece of *turbot au beurre* flying through the candlesticks) set Ireland back 200 years."

Things were not the same again. Tempers flared. Manners were forgotten as the civil war was replayed across the dinner table. Fresh drinks were petulantly called for.

By the time coffee and liqueurs

An isle full of noises and sweet airs

Kieran Cooke on the contradictions, charm and, above all, the chatter of a nation in flux

were served in the lounge - "Make mine a large one; none of your Protestant meanness here," shorted one guest to his landowner, but very Catholic host - it was a verbal free for all. Dark personal secrets were revealed. A bottom or two was plashed. A large lady walked unsteadily to the lavatory almost garrotted herself on a Victorian chandelier stand, collapsing in a heap of suspenders and stretched velvet.

There is nothing the Irish like more than talking, particularly about themselves. It amounts to a national disease. Whole summer schools are devoted to the subject - hour after hour, year after year. The conclusions are inconclusive.

The Irish are charming, difficult, spontaneous, unreliable, creative

and knavish. They are Europeans, but not really. They are certainly nothing to do with the English - though it is grudgingly admitted that there are more of us over there than over here. In short, the Irish are unique - in their own sort of John Ardagh is charmed by the Irish. He has put together a highly readable account of the way Ireland is changing and how it is, a trifle self-consciously, coming to terms with the modern world. Ardagh's energy cannot be doubted. He crisscrossed the country talking to scores of people from various shades of society. His list of thanks and acknowledgements reads like a Who's Who of modern Ireland.

But somehow Ardagh is too kind.

He makes the Englishman's mistake of believing too much of what the Irish tell him.

Ardagh finds a great wealth of talent in Ireland. That is true. But Ardagh is too fond of uttering his words with gushing adjectives. At

IRELAND AND THE IRISH: PORTRAIT OF A CHANGING SOCIETY by John Ardagh Hamish Hamilton £20, 446 pages

least one person is described as astonishing, others are marvellous. Several people or their books and newspaper columns are brilliant.

Ardagh admits to being pleasantly surprised by Northern Ireland. Its people, he finds, gener-

ally have more about them than the more easy going southerners. But again he cannot resist a bit of hyperbole. "The people are marvellous, second to none."

Mary Robinson, the president, is one of the holligan ones. "Areaking political system - but a fine new woman President" is the irritating sub heading in one chapter. President Robinson is undoubtedly one of the best things to have happened to modern Ireland.

But as Ardagh points out, she might have influence but she has no power in a country where political talent in contrast to the cultural or academic spheres - is very thin on the ground. As is hinted at, Ireland has been a badly run country.

The sleeve note on his book

describes Ardagh as "a strong believer in the battered old idea of European union." There is no doubt that EU membership has brought great advantages to Ireland. It has widened cultural horizons, raised incomes, particularly of the farmers, and done away with some of the old dependence on Britain.

But EU membership has introduced a new kind of dependence. Irish politicians gleefully talk about "the take" from Brussels. EU membership has only delayed the painful adjustment of Irish agriculture to the modern market economy. In spite of the Irish diaspora spread round the world, Ireland still remains an insular society, hardly part of the European mainstream.

Ardagh does explode many of the old myths about Ireland by focusing on society as it is and not, as tourism promoters would have it, as some kitsch theme park full of Yeats and leprechauns. In the midst of all the interviews it is a pity that Ardagh does not pause for a bit more fun. When he does it illuminates what at times is a somewhat repetitive journal.

Ardagh describes meeting Garech Browne, part of the Guinness clan and an eccentric even by Irish standards. "Garech is married to an Indian princess who is sometimes around. He was asleep when I arrived as agreed at 7pm, but eventually he woke up and remembered who I was..."

Garech is founder of one of Ireland's most successful recording companies but had no record player in the house. Ardagh relates how Garech takes him out to sit in his old Mercedes where, "shivering under the starry March night, we listened to cassettes of glorious Irish folk music on its radio. I went home very happy."



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Fiction/J.D.F. Jones

Catch-22 in apocalyptic mode

Closing Time starts like *Catch-22*: Yossarian is in hospital, flitting with his nurse and thinking about death. "We can't find anything wrong," they told him. "Keep looking," he instructed. "You're in perfect health. Just wait," he advised. The difference is that Yossarian is now an old man suffering from "late-life depression".

So this is the same Joseph Heller whose first novel, 33 years ago, gave a catch-phrase to the world? Heller must know the question well. "You sound so bitter these days," a friend says to Yossarian. "You used to be funnier."

True, this is a bitter novel, and not so "funny" as *Catch-22*, nor, I think, is it intended to be. Much has been made of

Closing Time being the "sequel" to that first, best-selling masterpiece, but the point should not be over-stated. Yossarian, the Armenian bombardier with a healthy fear of being killed, is 68, still has sex on his mind, and is contenting a third marriage. Milo Minderbinder, the mess officer who takes capitalism to extremes, has prospered beyond all dreams and, with his son M2, is developing an invisible, super-Sleath bomber. The Chaplain is discovered in old age to be passing heavy water and to have tritium in his flatulence; Milo says, "We will patent the chaplain as soon as we find how he works, and we are looking for a trademark. We are thinking of a halo..."

But he warned that there is

CLOSING TIME
by Joseph Heller
Simon & Schuster £14.99,
464 pages

and Little Prick, the US President, whose passion for video games eventually brings the world to an end.

There is much re-visiting - and re-working - of the wartime episodes of *Catch-22*, and for today, lurid descriptions of the nightmare squalor of 1990s New York. It is a sprawling, scarcely coherent jumble of a book, bursting with ambition and imagination. Parts of it are excellent.

By far the best chapters have to do with Sam and Lew. Sammy Singer, who had only a tiny part in *Catch-22*, is widowed, melancholy, plucky, an early-retired copywriter. "I never thought I'd be this old, wake with stiff joints, and have nothing really to occupy myself with most days but my volunteer fund-raising work for cancer relief." Lew Rabkinowitz, an entirely new creation, is an ex-infantryman who is dying - again, brave and jesting - of Hodgkin's Disease ("I'm sick of feeling nau-

seous"). In these two characters, and especially in their memories of their Coney Island boyhood, Heller has returned to his own roots and has rarely seemed better.

The problem comes when he switches into apocalyptic mode, as Yossarian observes the preparations for a grotesque society wedding in, of all places, the Port Authority Bus Terminal. This leads him down into a Dante-esque Underworld, a Hell where he meets up with the dead and chooses to escape, only to emerge into nuclear holocaust. Heller has attempted nothing so bold, and fails, because, in contrast with the sustained comic satire of *Catch-22*, in *Closing Time* he lurches between realism and surrealism with only the certainty of ever-closer death, for individuals as well as for our world, to hold them together. "I'm well into my sixties and we're into the nineties, and this time I'm beginning to feel... that time things are beginning to come to an end."

Incidentally, we are told what happened at the ending of *Catch-22*. After the Chaplain, at Nately's funeral, saw the vision of a naked angel in a tree, Yossarian (who was in the tree) ran away from the war, he was caught, sent home, and promoted to Major because the Air Force didn't want a fuss. "I didn't get far. I couldn't even get to Rome." You didn't escape there? In a little yellow raft? "That happens only in the movies..."

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The primrose path to the pinnacle of power

The British Establishment is a self-perpetuating oligarchy serviced by England's two ancient universities, argues Andrew Neil

There is nothing inherently wrong with elites. Every country has them; in some, they are an asset; in others, a distinct drawback.

Successful elites in the modern world tend to be open to meritocracy, drawn from a reasonably broad spectrum of society, dedicated to wider goals than just their own privilege and social status, educated and experienced in what makes a dynamic market economy tick. America's movers and shakers come closest to this ideal, as do the elites of post-war Germany and Japan, to varying degrees.

At the other extreme are those elites which remain closed and narrowly drawn, usually from a few wealthy families, hostile to free-market democracy which would challenge their entrenched privilege, dedicated to exploiting the masses whom they treat with contempt, rather than empowering or enriching them. The kleptocracy of Hainan provides a contemporary example of this sort of elite.

The British Establishment falls somewhere between the American and Haitian extremes: less broadly based, meritocratic or successful than its American counterpart, more so than the Haitian one.

Increased social mobility has made the British elite more open to meritocratic advance than it was 100 or even 50 years ago. What is remarkable, as Walter Ellis's book reveals, is just how much of an Oxbridge preserve it remains. Even I was surprised by the grip - in some cases the stranglehold - Oxbridge continues to have on the levers of power. Ellis shows that in the traditional areas - politics, the law, the civil service, the City and religion - Oxbridge graduates remain predominant in the top positions.

The power of Oxbridge to place its people in plum posts has eroded a bit in some areas; but on present trends Oxbridge graduates will still dominate this nation 100 years from now.

Ellis also shows, more startlingly, that even in less traditional areas, such as the media and popular entertainment, Oxbridge also enjoys a pre-eminence. The BBC and the broadsheets are Oxbridge bastions. Ellis is kind enough to write that as editor of The Sunday Times I have employed journalists "of every background and none." But even the only other

hbroadsheet, daily or Sunday, edited by a non-Oxbridge man, The Independent or Sunday, is dominated by Oxbridge types. Senior editors at the Telegraph newspapers and the Financial Times are also almost overwhelmingly Oxford or Cambridge men.

Snooty Oxbridge has now infiltrated even popular culture. British comedy in the Morecambe and Wise era used to have strong roots in the working class. Since Monty Python days it has gradually been taken over by Oxbridge: the wave of "alternative" comedians of the 1980s who have now become mainstream "luminaries" is largely Oxbridge. Even our literature has been colonised. Shakespeare, Dickens, Eliot, Scott, Austin, the Brontes - they all owed nothing to Oxbridge. But today's literary mafia is an Oxbridge near-monopoly.

Apologists for Oxbridge, and they are already mustering to savage this book, will argue that none of this matters: Oxbridge graduates are simply the best and the brightest ("I don't see why 2 per cent shouldn't translate into 90 per cent," says one Cambridge woman). Employers are looking for the top people of a generation, and they go to Oxford and Cambridge"; and, in any case, both universities are now part of the meritocracy - almost 50 per cent of their intake is from state schools. Both arguments are bogus.

It is part of the insufferable pomposity and arrogance of so many Oxbridge types that its graduates dominate the pinnacles of power simply because they are the best. I have never found this to be the case. I never cared which university staff at The Sunday Times went to, and usually did not know. When, often in casual conversation, I learned their alma mater, it was rarely the case that the best had been to Oxbridge.

As Ellis argues, many of Britain's best and brightest do not apply for Oxbridge in the first place, often because they think that socially they would not fit in. As a result the competition to get into other universities is often greater than it is to

get into Oxbridge: at modest Nottingham, for example, there are six applicants for each place; the Oxbridge average is just three.

What Oxbridge provides, however, is access, in the manner of a self-perpetuating oligarchy - the universities are, as Ellis puts it, "the marshalling yard for the gravy train." At The Economist, the Oxbridge-educated senior editors would regularly ask Oxbridge authors to send on their brightest students. High-flyers from Manchester or Leeds had no such privileged path. It is a special treatment for Oxbridge graduates that exists right across the British Establishment.

The idea that the two ancient universities are part of meritocratic Britain is mere sophistry, at which Oxbridge folk excel. If 50 per cent of the intake is now from state schools, it means that over 50 per cent still comes from private schools which educate just 7 per cent of our children. They may be among the most privileged and best-educated; it does not follow they are innately the brightest. Moreover, as Ellis points out, even those from the state sector come overwhelmingly from the remaining grammar schools and state comprehensives, themselves predominantly middle class. The way we waste the talents of those from less privileged backgrounds while over-promoting the mediocre from the middle classes is one of the disgraces of modern Britain; in that regard, Oxbridge is part of the problem, not the solution.

Ellis has written a brave book that needed to be written, though in places it is rambling and repetitive and the research often seems skin-deep. It is also weak on analysing the confluence of class and culture that has kept Oxbridge predominant. For that, Professor Weiner's *English Culture and the Decline of the Industrial Spirit* remains the best text. The hegemony of the two universities would not matter if Britain was a great success story in the 20th century. But Oxbridge imparts to our elite values which, in their anti-commerce, anti-technology, anti-market snobbery, make them unfit to run a modern economy. It is the Oxbridge elite which has presided over the decline of this nation, and it lacks the ability or the temperament to reverse it. As Ellis writes: "Britain under Oxbridge is a failed experiment."

Individual hacks, James says it takes the assembled heavies three minutes after an event to decide what is "the story... once the collective mind is made up it will not change... history gets created in three minutes; don't miss it; if you get there late, you're dead." He is not wrong, and not only in the US.

Working in the thick of a presidential campaign is mostly mechanical, often off-the-cuff, and leavened, or sullied, by reactive dirty work. Mary is delighted when finally the Bushies take aim below Clinton's belt, to which she adds with a series of vicious attack faxes to the media, for which she is unrepentant. James is generally more forgiving. After all, it was his slogan - "it's the economy, stupid" - that in the end made Clinton president, and he is still a political consultant.

The confection of the book, alternating monologues, sometimes *faux*-conversations, arranged roughly chronologically, works better than it sounds. There may have been - and will be - more profound books on the 1992 campaign, but this has an honest ring. No more so than when James writes "so little of this stuff is contrived and so much accidental. So little of it is Machiavellian and so much is actually human." And it produces a president.

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Campaign of love and loathing

Jurek Martin on a his'n' hers account of the presidential race



Well matched for tempers and tongues: Mary Matalin and James Carville

ALL'S FAIR: LOVE, WAR AND RUNNING FOR PRESIDENT
by Mary Matalin and James Carville
Hutchinson £19.99, 493 pages

and, eventually, to the position of manager of the Democratic presidential campaign. He has a temper and a tongue and is much in demand on the talking head circuit, when not advising Clinton and too many other candidates to mention.

Naturally they fell in love, though of both in her case than his - keep the book going. Mary's admiration for Lee Atwater, the 1988 Republican attack dog strategist who died of a heart attack in 1991, is absolute, as is her contempt for John Sununu, former New Hampshire Governor and Bush's White House chief of staff until the end of 1991 ("the political acumen of a door-knocker").

Both are contemptuous of the press operating as a pack, regardless of their fondness for

ARTS

Dreams, demons and a rare talent to disturb

Annalena McAfee talks to Ian McEwan about his first book for children

Incest, bestiality, cross-dressing, murder and dismemberment are not the traditional stuff of children's literature. But when novelist Ian McEwan turns his attention to younger readers, speculation is inevitable. One newspaper has already referred to "a sex scene" in *The Daydreamer*, McEwan's new collection of short stories for children. This scene, it transpires, describes a single, imagined, and entirely non-incestuous, kiss.

"You see the problem of my reputation," says McEwan, whose early preoccupation with extremes of human behaviour once earned him the sobriquet Ian Macabre. "I suppose it's my own fault," he says wryly. "I'm sure *The Daydreamer* will get pounced on the mould somehow."

This reputation as the elegant chronicler of polymorphous perversity has its positive aspect. Since his collection of short stories *First Love, Last Rites* was published nearly 20 years ago, attracting critical acclaim and revision in equal measure, he has consolidated his position as one of Britain's most original and successful writers of fiction - novels and screenplays - and acquired the concomitant trappings, including homes in Oxford and France.

The down-side includes incessant requests from Hollywood for scripts about serial killers. "They all want to do the same thing. All the plots involve the systematic wiping out of attractive young women. It's so easy to do on screen."

Hollywood is still a sore point after the debacle over *The Good Son*, in which his original script about a psychotic child was "put through the mincing machine" following the interventions of Macaulay Culkin's father. "It's a terrible film. Don't ever go and



Ian McEwan: 'Behind cruelty lies a failure of imagination'

see it," he says, before recalling that it was banned in Britain following the Jamie Bulger murder case.

McEwan's decision to embark on his first children's book marks, in a sense, a return to basics. "I had wanted to write short stories again for some time. This was a way of tricking myself into it."

Although *The Daydreamer* (Cape £3.99, 96 pages) is his first work for children, childhood has been a constant

theme in his novels, from *The Cement Garden*, a tender story of forbidden sibling love and unlawful burial, to *Black Dogs*, an exploration of the conflict between science and soul, in which the orphaned narrator states that looking after children is a way of looking after yourself.

The protagonist of *The Child in Time*, devastated by the abduction of his own child, is a writer who finds that, by some accident, his first novel is

humiliatingly categorised as children's literature. McEwan enjoys the irony. "Yes, he earned so much money with his book that he generated an enormous tax bill which made it inevitable that his second book was for children. I was wondering if I was about to just become a children's book writer. But I think I've escaped that fate by coming to it late."

The Daydreamer represents the fulfilment of a promise to his 11-year-old stepdaughter Alice, who had asked him to write some of the stories he had made up for her on holiday. The stories have had a lengthy gestation - Alice is now 22 - and went through several changes and refinements in the re-telling to his other step-daughter Polly, now 24, and his sons William, 11, and Gregory, 8. "I inscribed Alice's copy saying 'sorry it's late'. She said she was perfectly pleased to have it at any time."

The collection is also a celebration of the imagination, of waking dreams, "that thing teachers are always telling you about but is a vital part of everyone's inner noise." The theme of the book is transformation and exchange and the mood is in turns elegiac, disturbing (though, *pace* Hollywood, no more so than many favourite fairy tales) and subversively funny.

Peter, the central character, swaps places with the family cat; subsequently becomes a baby for a day (featuring cross-dressing, though transgenerational, rather than gender); erases his tiresome family limb by limb (dismemberment, albeit bloodless); and is set upon by a pack of disaffected dolls (more dismemberment, pictured right). The language is spare but finely wrought and every story, accompanied by Anthony Browne's delicately menacing black and white illustrations, has the haunting quality of a classic.

"I don't want to sound pompous," says McEwan. "But I think it is a crucial part of one's sanity to imagine things other than they are. The ability to imagine yourself as someone else must be at least part of the basis of morality. Behind cruelty must lie a failure of the imagination, of empathy."

The switch of focus from adults was not difficult. "My impression of conversations with my children is that there is nothing you can't talk to children about, short of VAT and income tax returns. There are clearly disturbing things I wouldn't want to discuss with them, but they would certainly be horribly interested."

He cites the success of Roald Dahl's gleeful misanthropy as evidence of children's fascination with the proscribed and the nasty. "Everyone else was writing stories encouraging children to have correct attitudes, especially in the Seventies. A lot of children's books were shockingly condescending and didactic, improving books encouraging the right attitudes about gender and race. The attitudes themselves were fine but if novelists want to push values then I think they should write moral tracts."

McEwan also defends the derided Enid Blyton, whose stories enlivened his own childhood, and who incurred the contempt of the orthodox moralists of the Seventies.

"They were all marvellously ridiculous stories. Each summer holiday a gang of kids would disrupt an international conspiracy of villains with dogs, picnics and ginger beer."

Anything that gets children reading, he maintains, is worthwhile. "When I see my children excited by a book it's a real high: that crossover moment when children don't move their lips when they read and they're seeing something unfolding in their head. Planes



Illustration by Alan Baker

could be crashing, heroes could be macheting their way through jungles, but all there is in silence and the sound of turning pages. That's the moment when a child has a real life."

McEwan does not, however, subscribe to the dewy-eyed view that childhood is an Eden

from which we are all brutally expelled. In *The Daydreamer*'s final story, Peter, on holiday with his family, has the grim realisation that one day he must leave the group that runs wild on the beach and join the group that simply sits and talks. Overnight he becomes an adult, has that first kiss

and, later reverting to boyhood, comes to realise that there are adventures ahead after all.

"I wanted to show that being an adult can be fun too," says McEwan. VAT, income tax returns and the limited imaginations of Hollywood producers notwithstanding.

Nostalgia with panache

Antony Thorncroft reviews
'Only the Lonely'

The Big O is not some nameless horror (oh, perhaps it is) but the pseudonym of Roy Orbison, who made a career out of proving that life copied art. Orbison sang melancholic ballads about loneliness and loss, and sang them even more fervently when tragic accidents wiped out first his wife and then two of his children. A career slump did not make him laugh much either.

But such traumas provide an ideal centrepiece for yet another rock-bio musical. We start, naturally, at Orbison's funeral - he died of a heart attack aged 52 - and are soon into one of those "why, oh, why" scenarios, with son Wesley asking Roy's best friend "what sort of man was daddy?", and hanging around 2½ hours for the answer.

Actually Orbison was a very simple man. He had an amazing voice, described once as sounding like "the slow fall of tear drops", and minimal personality. On stage he hid behind dark glasses - a wise move since he looked like a Halloween pumpkin with the worst haircut in the world - and never spoke to his audience. So naturally Bill Kurnwright's much worked-over production concentrates on the songs, all 40 of them.

The songs are great, from the inevitable "Only the Lonely" to the unlikely "Born to Run" (Springsteen was a great Orbison fan), and they are enthusiastically performed by one of those bands of fine



An uncanny resemblance: Larry Branson (front) as Roy Orbison

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Anarchy versus German romanticism

The South Bank has a multi-art "Deutsche Romantik" festival in train now, ambitious but so broadly focused as to risk losing the bird-in-hand. It began on Thursday with a London Philharmonic concert: Beethoven's Fifth and Wagner's *Wesendonk Lieder*, very proper choices, but also Hans Werner Henze's *Heliogabalus* (Imperial (from 1972, revised in 1986).

The best excuse for that was that it prompted an introductory speech by Henze himself, who compressed an intelligent, soulfully Left-hansiad diagnosis of German romanticism into some ten minutes. GR (or DR, if you prefer) was a matter of reclaiming German folksong and its artless native ways; of revelling in the German *Landschaft*, in Weber's hunting-horns and simple, singable airs, and in Schnbert's discovery of naive young millers and their maids. What came later, Henze told us, was tragically adulterated by ideology and nationalist propaganda.

As a musical construction, Henze's *Heliogabalus* struck me this time as indefatigably colourful but thinly stretched. There are ritual post-echoes of his 1965 *Auden* opera *The Bas-*

trids - not of its androgynous hero Dionysus, but of the deadly ritual itself - at the start and finish. In between, with a spate of instrumental solos (for the young Emperor's newly appointed senators: "children of love, rough-hewn but hearty") *Heliogabalus* tries on a variety of just-post-'60s dress: silky Messiaenic tone-clusters for the strings, bird-calls and learned two- or three-note effects from solo winds, some improvisation, some frank theatrics. It lacks any persuasive through-put. Fun, but not much cop.

Franz Welser-Mstz conducted Henze with self-effacing flair. His Beethoven 5 was disarmingly swift, without any of the time-honoured theatrical pauses, but coolly alert and vital. For the five *Wesendonk-Lieder*, of which Wagner orchestrated only "Träume", he recreated some plausible Wagnerianism. The soprano Amanda Roocroft found her expressive way into these songs rather well, without convincing me that they require anything less than the grand, steady depths that a fine mezzo can command.

David Murray

Camus on revolution

It is an excellent idea to revive *The Just* by Albert Camus in the mid-1990s - the kind that one might have hoped would have arisen in the Royal National Theatre. The play is based on the abortive attempt at Russian revolution in 1905 when the Grand Duke Sergei Alexandrovitch was assassinated. Yet, written in the late 1940s, it is really about the debate within the French left: how far should you go in supporting Stalinism (or any party), right or wrong? How far should you stick to revolutionary violence if you believe that the ultimate end is benign? And, if you have to assassinate children along with the Grand Duke, for how long do you believe that the end justifies the means?

Those are old questions. They do not necessarily become less interesting with the collapse of communism. As this production at the Camden Studio Theatre is clever enough not to stress overtly,

there was quite a lot of Stalinism, and violence for its own sake, in the IRA.

So *The Just* is both a period piece, historically fascinating, and still just about topical. The trouble is that Camus, for all his intellect, was not much of a playwright. He thought, as was the French fashion of the time, that the theatre could be used to debate ideas without taking much account of character, feeling, plot or variety. *The Just* has the touch of a seminar on moral philosophy.

Yet it is a better piece than I remembered. Occasionally - when, for example, we are waiting to hear whether a shooting takes place - there is drama. And the ideas under discussion can hardly be dismissed as trivial. A relatively young audience at the Camden Studio seemed to find them riveting.

It is also always possible to make an unexpected character come to life. The example here is Skouratov, the chief of

police, played by Eldridge Adolfo. I doubt if even Camus, who was clearly a subtle man, would have seen him as the most enigmatic figure in the piece. But that is how he is: a civilised man trying to preserve order in an unstable state. An unusual amount of sympathy also goes to the Archduke's family: Camus was a bit more radical than that.

Some of this interpretation may be put down to the acting. Those who play the old order are better performers than those who seek to launch the revolution. Still perhaps that, too, is deliberate: we are all conservatives now.

This revival is directed by Kate Schaffer as part of Grande Designe Theatre Company. It is a reminder to more established theatres that there are old texts worth looking at.

Malcolm Rutherford
Camden Studio, Offstage Bookshop, NW1 (071 916 4040).

I guess it was just another tale of Piccadilly low-life; a succession of fleshly floozies catching my eye everywhere I turned, while their fusty men-folk patrolled the alleys looking for action. Some of them wore masks, but I could see through their cheap disguises. They were frightened. This was a society on the brink of collapse, and they knew it.

It was a highly disturbing couple of hours. But when I left the Royal Academy's *The Glory of Venice* exhibition, the whiff of "Chanel No. 5 crossed with aerosol room freshener", as the catalogue describes the pervading atmosphere, stuck in my throat: why this fascination with the 18th century? And if this really was the Age of Reason, the ultimate expression of man's rational mastery over the universe, why did its patrons surround themselves with the kitsch and glitter of these

ghastly artefacts?

Many speak of the joy, the sensuality, the celebration of 18th century art at the Royal Academy, I saw only the sad degeneration of an entire culture, the noble rot at the core of a society intent on partying for dear life. Were its leading lights so blinded by the pell-mell and arcadian visions that they failed to see the storm clouds gathering?

Some of the paintings are religious, at least in theme; but their tone betrays them: Tiepolo's *The Immaculate Conception*, in which a

immodestly acknowledges the panting leers of the surrounding cherubs; Piazzetta's *Guardian Angel*, who gestures grandly above that camp theatrical of her adoring saints. Forget spirituality; more palpable in the exhibition is the *douleur de vivre* of this self-indulgent age, the air of pleasure and luxury which permeates even those works.

These mannered, stylised creations, beautifully painted though they may be, speak of an unabashed arrogance totally devoid of sacredness or humility of spirit, emblematic of a society utterly engrossed

in its own affectations. Little wonder that the French, having captured Venice and the famous Lion which symbolised the city's supremacy, shipped the statue to Paris where it was re-assembled with its tail lowered and placed between its legs.

But why the fascination? Could it be that the brazen excesses of the 18th century remind us, ever so slightly, of our own? The sharpest minds of that period described their cultural milieu in terms we are not unfamiliar with: opulent, acquisitive, corrupt, philistine, insecure. It is a mistake to

assume that all intellectuals of the Enlightenment celebrated the unqualified triumph of reason and science: did Alexander Pope not sing, "Sole judge at man's role as a trial of the World?"

We too live in a cynical world which glorifies sensuality and revels in the ironic twists and turns of a post-heroic mentality; is a trial to *The Glory of Venice* simply an act of mass transference by which we can guiltlessly enjoy the coriander delights of an era we identify with our own?

That is why I felt a little sick as I wandered round the Royal Academy, hurrying past its dark allegorical tombs, its insipid canal views (can these continue to have any impact in an age of mass tourism?), those ob-so-hanghty putti writhing out of the clouds, the chained Nubian slaves holding aloft their prized pieces of porcelain. Charming as a bucket of cold custard. The show ends with the cloying works of Canova; take a close look at the pious plaster bas-reliefs *Teaching the Ignorant* and *Feeding the Hungry*, then go and look at the Parthenon Marbles, and

weep for what happened to Western Civilisation.

Once out of the exhibition, however, there is no escape, for the shameless hedonism continues in the gallery shop: carnival masks, silk scarves, needlepoint kits, Basque ceramics, Murano jewellery, multi-coloured pasta and charcoaled artichoke hearts. A man approaches me to explain my chances of winning a holiday (overlooking, you guessed it, the Grand Canal) if I buy a lottery ticket for the Royal Academy appeal.

It is all too much. I wonder which is more decadent, a society which splashes its decline all over a piece of canvas, or one which pretends it is not happening and keeps falling in love with its past.

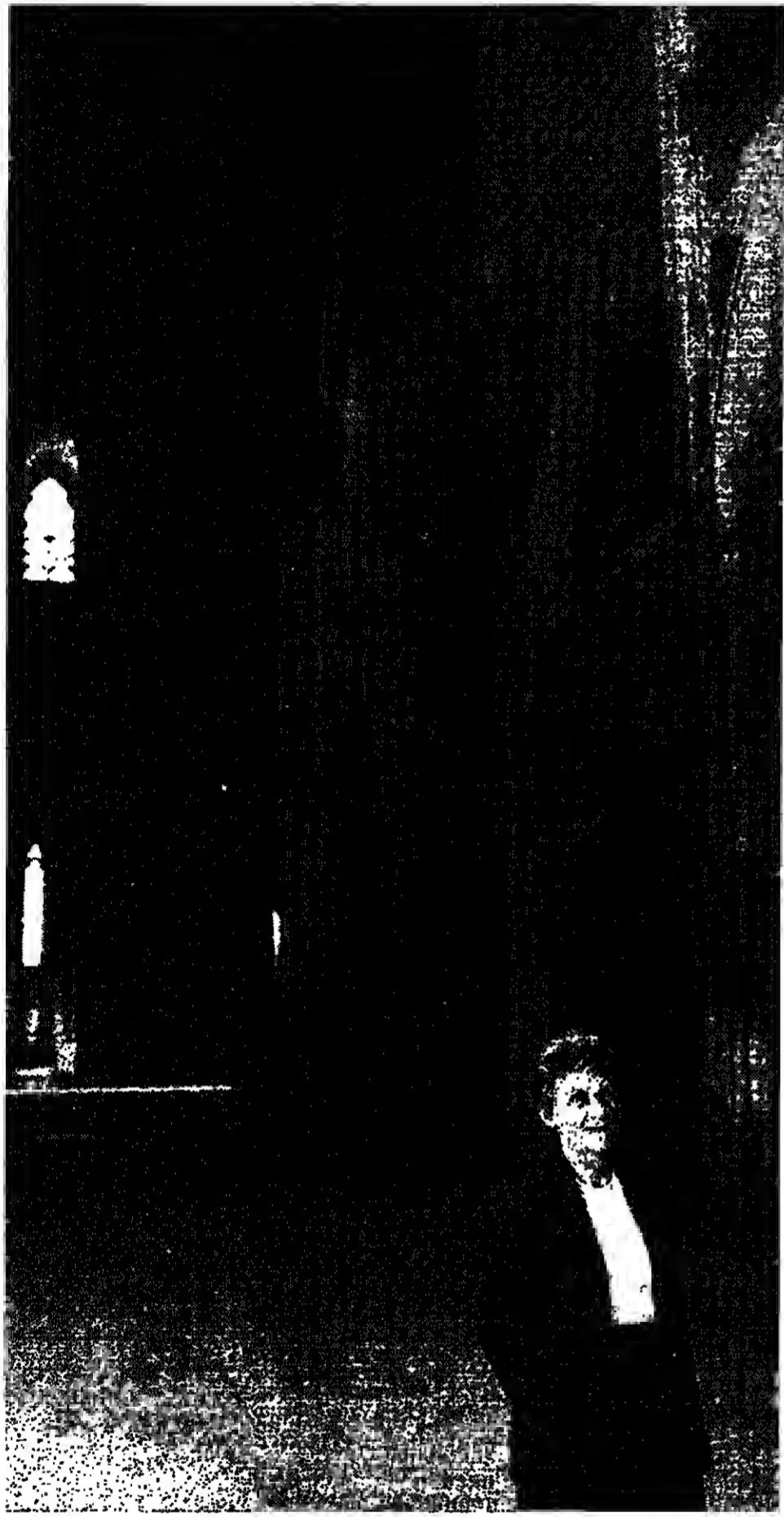
The Glory of Venice: Art in the Eighteenth Century, at the Royal Academy of Arts, London until December 14.

The noble rot at a society's core

Peter Aspden, at the RA's Venice exhibition, saw only the sad degeneration of a culture

Private View/Christian Tyler

Aristocrat who chose the cloistered life



Daniel Kuentz

To be born with a fear of heights when your home is a gothic abbey almost as tall as Notre-Dame looks like some kind of divine jest. Not so for Diane d'Allaines, the owner of a former Cistercian monastery in the south of France. Valmagne Abbey is the one place in the world where vertigo does not bother her.

Indeed, the proprietress of Valmagne appears altogether undaunted by the place. She was born there and knows it so well, she says, that she can find her way blindfolded.

I asked her if she ever saw monks shuffling in the gloom.

"No," she replied. Yet her tone of voice was ambiguous.

Why do you hesitate?

"Because if you go to the cloister, very often you hear voices," she paused. "But I don't believe in ghosts."

No, of course. What sort of voices?

"It's - how do you call that in English? - *chuchotter*. Whispering. Yesterday I went to the cloister and thought 'But there's somebody there!' No. No one. It's a sort of whisper."

Is it frightening?

"Oh, no, no, no! You can't be afraid here."

Valmagne stands on a southern incline within sight of the Mediterranean and the oyster-beds of Sète. It is protected on the north by natural ramparts of white limestone which rise like mammoth's teeth from the rocky scrub, or *garrigues*.

The Cistercians came here in 1138. An ascetic offshoot of the Benedictine order, they picked sites for their solitude, abundant water and for soil suitable for gardening and viticulture. (They could predict the taste of the wine by tasting the earth.)

Diane d'Allaines inherited the 900-acre property through the counts of Turenne on her mother's side of the family.

They had acquired it in 1883, with the consent of the bishop of Montpellier, from a M. Granier to whom the place had been sold as a national asset after the French Revolution.

Granier used the cool church for ageing his wine: the great oak hogheads that he installed either side of the nave and round the apse stand there to this day.

The present owner's privileged predicament is unusual but not unique. She belongs to a small club of French abbey-proprietors - though the abolition of the law of primogeniture in France has ensured that most are joint owners.

"When I was small it seemed to me absolutely normal to live in such a place," she said. "I never had the shock you have

who come here for the first time."

Do your friends who live in ordinary houses find you different?

"No, I don't think so. If something could make me a bit old-fashioned it's not because of the place, it is because of the education I received." Part of that education was at a girl's school in Surrey, where she acquired her well-accented English.

For all her background in the landed aristocracy, it has required a certain financial and spiritual asceticism on the part of the abbes of Valmagne (as she jokingly calls herself) to rise to the challenge of the place.

Do you sometimes feel it a terrible weight?

"No," she laughed. "Sometimes I'm tired. But it's not the place, it's the work."

No, of course. What sort of voices?

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"When I was small it seemed to me absolutely normal to live in such a place," she said. "I never had the shock you have

done." As if to emphasise the finality of the decision, she referred to Brinon only as "the other place", never by name.

I asked her about her own budget.

"I do not spend a lot of money for myself - very, very little. I am not very interested in money, really. Of course I used to travel in the old days. I never go for holidays now."

What about clothes?

"Very ordinary clothes. I try to find clothes nice but not very expensive. Well, that and a bit of food when the children are here."

She was referring to the three young children of Philippe her son and Ruth his wife who live nearby and run the vineyard.

"When my husband died, I got a little pension."

Diane d'Allaines has dedicated herself to the 12th century Cistercian abbey she inherited

Valmagne was still in some disrepair when Diane d'Allaines took it over from her mother. There were hucksters in the rooms to catch the rain. Fortunately, she had the *wherewithal* to do something about it. She had inherited another property, a chateau called Brinon near Orleans with an 84-metre frontage (as long as the nave of Valmagne), two wings and 25 bedrooms.

"It was a shooting place and nowdays - pool! - you buy pheasants, you put them in a wood and..." She clapped her hands to simulate gunfire.

"All we could do there was put up a luxurious hostel for shooting. That didn't interest me. A choice had to be made between Valmagne and that place. For me, who am quite meridionale, the choice was

done." As if to emphasise the finality of the decision, she referred to Brinon only as "the other place", never by name.

The sale of Brinon enabled her to put a new roof on Valmagne, a job costing over FF2m (£250,000), to extend the private wing and thus to convert a romantic relic into a going concern.

Had she not been afraid of the responsibility?

"I think I didn't see that, no. I knew it was going to be very hard, but this place was worth it and the other was not."

The dogs were restless and she went into the kitchen to get their food. The mongrel's bowl she placed outside the back door, the old red setter's just inside, the little white poodle's by the stove and the bas-set-hound by the coat-rack.

"When my husband died, I

got a little pension."

Done.

Diane d'Allaines has dedicated herself to the 12th century Cistercian abbey she inherited

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"No, no!" she exclaimed with horror. "You do everything for me. After that... well, after a certain point you are not responsible."

And if it suddenly started to move...?

"But don't say that. It's been like that ever since 1957. It won't move tomorrow morning. But we must do everything in such a way that it doesn't move in 20 years. I'm working for them... That's all."

It was not clear if she meant her heirs or the people of France.

"My feeling is not the feeling of an owner," she continued. "I think I'm only a responsible. I'm one in the chateau and I must transmit it. And I hope it will stay in the family. But you see we do not know."

If your grandchildren decided to be airline pilots instead, would you be devastated?

"I think if they do not do what they ought to do, they do not deserve it. You see, you must in a way deserve what you have, don't you think?"

"And of course I hope one of the three... maybe the three together if they get on - will be able to keep it. If not, well..." She broke off with a shrug.

"When you are born in a place to whom this sort of place belongs, you must consider yourself as a responsible and not an owner. You have no rights. You have duties. I will try and explain all that when they are older."

"They must also be thankful for all the generations before who have kept the place and transmitted the place. And that they must never forget."

As They Say in Europe/James Morgan

The train spotter's guide to unification

joining Europe, "The Czech Republic will find it easier to board the slower train rather than the 'super express'." Why does John Major not say that?

Why not follow the advice of the *Daily Telegraph*: other countries should be told they are welcome to try an economic and monetary union

that most are joint owners.

"When I was small it seemed to me absolutely normal to live in such a place," she said. "I never had the shock you have

No one can agree on a timetable or a destination says James Morgan

and Britain would watch quite happily as the whole thing fell apart. Anyway, nothing worries Enro-enthusiasts more than explicit moves to strengthen the unification process. It was *Le Monde* which headlined its comment on the CDU paper *Rudesse germanica*. It was the Italians and Spaniards who clamoured "me too" when the exclusive

for no such problem.

The cut in interest rates was a good thing but that is a reflection of the exaggerated British reliance on short term loans. All that has happened is that Britain has moved from a monetary policy dictated by the Bundesbank to one dictated by the bond markets. What will be said when they force unacceptable high short term rates on us?

Professor Reimund Jochimsen, a member of the council of the Bundesbank, entered the debate when he told a conference in Oxford last month that the nation-state had become too small to solve most problems with which it was confronted. He concluded that a Euro-solution demanded that there ought to be some middle way between a Brussels super-state and the nation.

So there is a new argument about Europe. Klaus welcomes the idea that many species where nations can choose their own destiny and says the nation-state can solve its own problems. The Bundesbank to it cannot and wants a train to its destination that has yet to be built. The British want there to be just a slow track or no track, and the Euro-enthusiasts want to drag the trainees away from the rest to a station all of their own. A four-track Europe.

James Morgan is economics correspondent of the BBC World Service.

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